FORMULATION OF THE 1990 FARM BILL

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIRST CONGRESS

FIRST AND SECOND SESSIONS

SEPTEMBER 18, 1989, EASTON, MD
NOVEMBER 4, 1989, FRESNO, CA
NOVEMBER 13, 1989, WINGATE, NC
JANUARY 29, 1990, FAYETTEVILLE, NC
FEBRUARY 20, 1990
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FORMULATION OF THE 1990 FARM BILL

MONDAY, SEPTEMBER 18, 1989

House of Representatives,
Committee on Agriculture,
Easton, MD.

The committee met, pursuant to notice, at 9:07 a.m., at the Talbot County Community Center, Easton, Maryland, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representative Dyson.

Staff present: Fred J. Clark, associate counsel; and Marshall Livingston, clerk.

The **Chairman**. The meeting will be in order.

Before any further comment from the members, I would welcome at this time the Hon. Herb Andrew for whatever he might have to tell us this morning.

Mr. Andrew.

REMARKS OF HERBERT L. ANDREW III, MEMBER, TALBOT COUNTY COUNCIL, ON BEHALF OF THE TALBOT COUNTY GOVERNMENT

Mr. **Andrew**. Good morning Chairman de la Garza, welcome to Talbot County.

On behalf of the county government, and as a farmer, I welcome you to Talbot County, and I thank you for coming. Congressman Dyson, we know it is through your efforts that this is happening today, and we also want to thank you.

This is called the midshore area. Talbot County, Easton is the county seat. It is a small county and a small town. There has been some effort in Easton to retain some of our political charm—I mean, some of our colonial charm. [Laughter.]

Political charm.

Mr. **Dyson**. That too, right? [Laughter.]

Mr. **Andrew**. Well, I do not know if Easton wants to maintain some of theirs, but I do want to maintain some of mine. [Laughter.]

It has been said that Talbot County has the longest shoreline of any county in the United States. We have a home rule form of government, with five members of the county council.

Agriculture is still a very important industry in Talbot County, along with seafood and tourism. The major agricultural crops are corn, soybeans, and small grain. The broiler industry, the raising of chickens, is an industry growing and continuing to grow in this county, and that also helps to provide a market for the corn and the soybeans.

As I thought a little bit about this hearing today, and I must also admit, a vote that I must make tomorrow at the local courthouse, I thought, I wonder why we do these things, and have these public hearings.

First of all, we have them to hear from the public, to hear how they feel about what we are about to do. And I hope that we also think about the greater picture, looking beyond and what we might do in the future.

I looked at the "Successful Farmer," Friday night, and I saw three new products in there: Ink, biodegradable plastic, and ethanol to be used in gasoline. I thought how great that was to have some new products, and maybe we might make greater use of all this grain that we grow.

At the local level, we often say education is the most important service we provide. Over half of our taxes at the local level are spent on education. Certainly education is important.

But I believe in our country, we sometimes forget feeding people is probably the most important, and certainly the most basic industry of all, because if people do not eat, and eat well, they do not function well.

So, with that, it is a great privilege to have you here, and we certainly appreciate your coming. This is the first time this has ever happened that I know anything about, and we appreciate your efforts and look forward to what will happen here today.

Thank you, Mr. Chairman.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. Thank you very much, Mr. Andrew. You are very kind, and we appreciate your sentiments.

As far as I know, I think this is the first time the committee has been here. I have been here with my good friend Roy Dyson—but never at a nice time. I hope this is a nice time.

I came to see the drought conditions, and we saw what was wrong with the chickens, and we saw corn that had not grown. So I hope this is a nice time while we are here.

Mr. Dyson is a very important member of our committee, and probably more important than the average member.

The rest of us, including myself, have agriculture as our major committee. He was not able to get on agriculture when he first came, but as soon as there was an opening, what we call a temporary opening, he volunteered to serve, and is a very diligent, conscientious, and hard-working member.

So for that, we are very appreciative. I am very happy to be here in this area, and to listen to the agricultural sector before we begin the process for the 1990 Farm Act.

Our subcommittees are going throughout the country and we are trying to get input from every available source for the whole spectrum of what will be the 1990 bill.

Friday, I was in Fresno, California with the Western Cotton Shippers Convention, getting input from them.

Saturday I was in Phoenix, Arizona with the National Fisheries Institute, getting input from them as we are considering a mandatory fish inspection or seafood inspection law.

Yesterday I was at the White House consulting with President Bush, and this morning with Roy Dyson—what about that for a weekend? [Laughter.]

I would like to recognize my colleague, Mr. Dyson, at this time.

OPENING STATEMENT OF HON. ROY DYSON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Mr. Dyson. Mr. Chairman, it is really wonderful to have you here, and as far as I know, it is the first time the committee has formally met here.

As you said, you have been here before, and we welcome you back.

You will find the hospitality even greater this time. Now we have had rain—in fact, we have had too much rain. And when we prepared the drought legislation earlier this year, my concern was not drought but too much rain, and I said, "Mr. Chairman, now you have to do something for people who have too much rain." That is our situation this year.

Mr. Chairman, I am very pleased that we have the turnout that we do this morning, starting with our secretary of agriculture, president of the UMES, and numerous other people here in this room.

Mr. Chairman, I have a rather long opening statement here. I am going to ask to just have it made a part of the record. One of the things that we are very proud of, of course, is agriculture. In fact, yesterday when I was in Wicomico County, we dedicated a new museum and the focus of that museum was agriculture.

That is what this land is all about. We have in this room today, I think, some of the hardest-working, most productive farmers in the country. They support an industry, the broiler industry, that makes Maryland No. 6 in the Nation.

If you take the entire shore together, the agricultural industry is worth about $1 billion to our economy—very, very important.

So we are very pleased that you are here. The farm bill will have a great impact on us. As you have said, you have always wanted the opportunity to be out and to see the people who apply the programs that we pass in Washington.

Mr. Chairman, here they are. And as I said, you will get a chance to see Maryland, and in particular Eastern Shore's hospitality. I think we can more than match anything that you saw yesterday at 1600 Pennsylvania Ave.

[The statement of Mr. Dyson follows:]

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OPENING STATEMENT

THE HONORABLE ROY DYSON

SEPTEMBER 18, 1989

MR. CHAIRMAN, I WOULD LIKE TO TAKE THIS OPPORTUNITY TO WELCOME YOU TO MARYLAND'S FIRST CONGRESSIONAL DISTRICT. THIS IS THE FIRST TIME THAT I KNOW OF THAT THE HOUSE AGRICULTURE COMMITTEE HAS COME TO MARYLAND'S EASTERN SHORE. WE DEEPLY APPRECIATE YOUR INTEREST AND CONCERN FOR MARYLAND'S FARMERS, FARM FAMILIES AND FARM COMMUNITIES.

MR. CHAIRMAN, YOU ARE DEEP IN THE HEART OUR STATE'S AGRICULTURAL REGION. I KNOW I MAY SEEM A LITTLE BIASED. BUT THE FARMERS YOU WILL MEET TODAY ARE SOME OF THE MOST PRODUCTIVE, INNOVATIVE AND HARDEST WORKING THIS NATION HAS TO OFFER. WE IN MARYLAND TAKE GREAT PRIDE IN THE DIVERSITY OF OUR STATE --INDEED, WE HAVE FOUND STRENGTH IN THIS DIVERSITY.

LAST YEAR MARYLAND'S AGGREGATE AGRICULTURAL SALES TOTALED $1 BILLION. THE FIRST CONGRESSIONAL DISTRICT SUPPLIED $650 MILLION OF THESE SALES.

SOYBEANS WERE THE STATE'S LARGEST CASH CROP IN 1988, WITH SALES

OF $108 MILLION. FARMERS IN THIS DISTRICT PRODUCED 88 PERCENT OF THAT CROP.

POULTRY IS THE STATE'S SINGLE LARGEST AGRICULTURE COMMODITY. STATE-WIDE POULTRY SALES OF $425 MILLION MAKE MARYLAND THE 6TH LARGEST POULTRY PRODUCER IN THE UNITED STATES.

THE EASTERN SHORE IS HOME TO MORE THAN 70 PERCENT OF MARYLAND'S POULTRY FARMERS, WITH WICOMICO AND WORCESTER COUNTIES RANKING FIRST AND SECOND IN MARYLAND POULTRY SALES.

FOR CENTURIES, TOBACCO HAS BEEN A MAINSTAY OF MARYLAND'S FARM COMMUNITY. THREE COUNTIES IN MARYLAND'S FIRST DISTRICT --CALVERT, CHARLES, AND ST. MARY'S-- PRODUCE MORE THAN 70 PERCENT OF OUR STATE'S TOBACCO CROP.

THESE ARE BUT A FEW ILLUSTRATIONS OF HOW MARYLAND'S FIRST DISTRICT FARMERS EXCEL AT BRINGING TO MARKET FARM PRODUCTS FOR OUR NATION. THEY SUPPLY THE FEED THAT FATTEN OUR LIVESTOCK. THEY PRODUCE THE COMMODITIES THAT WE TRADE OVERSEAS AND THAT COULD, IF THAT TRADE WERE TOTALLY UNFETTERED, GIVE A BIG BOOST TO CORRECTING OUR INTERNATIONAL BALANCE-OF-PAYMENTS PROBLEMS.

BACK IN WASHINGTON, MR. CHAIRMAN, YOU SAID YOU WOULD TAKE THE COMMITTEE TO WHERE THE PLOW BREAKS THE SOIL; TO WHERE THE PROGRAMS WE WRITE IN WASHINGTON ARE ACTUALLY APPLIED; AND TO THE LOCAL COMMUNITIES WHOSE FUTURES' DEPEND ON HOW WELL THOSE PROGRAMS WORK. MR. CHAIRMAN, IF YOU'RE LIKE ME, YOU'LL AGREE THAT THE BEST IDEAS COME FROM HOME.

BEFORE INTRODUCING THE WITNESSES THAT WILL APPEAR BEFORE US TODAY, MR. CHAIRMAN, I WOULD LIKE TO TAKE JUST A FEW MOMENTS TO TOUCH ON A FEW OF THE IMPORTANT TOPICS THAT WE WILL BE TAKING UP THIS MORNING.

I HAVE SAID THAT POULTRY IS THE STATE'S LARGEST COMMODITY. IT'S HERE ON THE THE EASTERN SHORE THAT YOU FIND THE LARGEST CONCENTRATION OF MARYLAND'S POULTRY FARMERS. POULTRY PRODUCERS ARE ALSO THE MOST IMPORTANT CUSTOMERS FOR THE AREA'S CORN AND SOYBEAN GROWERS.

IT TAKES ABOUT 8 POUNDS OF CORN AND SOYBEAN FEED TO FATTEN A SMALL CHICK INTO A FULL SIZED CHICKEN, MR. CHAIRMAN. LAST YEAR THE DELMARVA POULTRY INDUSTRY PRODUCED 10 MILLION CHICKENS. THAT'S A LOT OF BIRDS, AND THAT REPRESENTS A LOT OF FEED.

BUT OUR POULTRY INDUSTRY CONTINUES TO SUFFER FROM POLICY NEGLECT. POULTRY CONSUMPTION PER-CAPITA IN THIS COUNTRY, AT 67 POUNDS, IS ALMOST THE EQUAL OF THE 69 POUNDS OF BEEF THAT THIS COUNTRY CONSUMES PER CAPITA PER YEAR. YET WE SPEND VASTLY MORE ON RESEARCH ON DISEASES RELATED TO BEEF PRODUCTION THAN WE DO ON POULTRY DISEASES.

FOR EVERY DOLLAR OF RESEARCH THAT THE U.S.D.A. TARGETS TO BEEF PRODUCTION, LESS THAN 60 CENTS IS DIRECTED TO POULTRY RESEARCH. MYCOPLASMA DISEASES AFFLICT POULTRY BREEDING STOCKS AND CAN LITERALLY WIPE OUT THE POULTRY ECONOMY OF AREAS LIKE THE EASTERN SHORE. BUT CURRENT TESTING AND VACCINE EFFORTS ARE SIMPLY INADEQUATE TO DEAL WITH MYCOPLASMA. IN ORDER TO ENSURE THE LONG TERM HEALTH OF OUR POULTRY INDUSTRY, WE MUST HAVE ADDITIONAL FUNDING FOR AVIAN INFLUENZA AND NEWCASTLE DISEASES AS WELL.

WHILE THE VAST MAJORITY OF THE FIRST DISTRICT'S 7,000 FARMERS OPERATE SMALL, FAMILY FARMS, THEY ARE KEYED INTO WORLD MARKETS. FOR THESE FARMERS, EXPORT PROMOTION ISN'T JUST A TERM FROM AN ECONOMICS TEXTBOOK. FOR MANY OF THE COMMODITIES GROWN IN THIS DISTRICT, EXPORT PROMOTION IS THE BEST HOPE FOR A MORE PROSPEROUS FUTURE.

U.S. POULTRY EXPORTS HAVE TRIPLED OVER THE PAST FEW YEARS, AND NOW TOTAL $720 MILLION. NEXT YEAR OUR OVERSEAS POULTRY SALES MAY NET THIS COUNTRY $1 BILLION IN FOREIGN EARNINGS.

BUT OUR POULTRY EXPANSION IS BEING OFFSET BY A SHOCKING DECLINE IN U.S. SOYBEAN EXPORTS. IT USED TO BE THAT U.S. FARMERS SUPPLIED TWO-THIRDS OF THE INTERNATIONAL MARKET FOR SOYBEANS. THAT SHARE HAS RECENTLY DROPPED TO BARELY 50% OF THE INTERNATIONAL MARKET. NONETHELESS, U.S. SOY BEAN EXPORTS ARE STILL VALUED AT ROUGHLY $7 BILLION A YEAR.

ACCORDING TO SOME ANALYSTS, THE FALL IN THIS COUNTRY'S SHARE OF OVERSEAS SOYBEAN MARKETS HAS COST EVERY SOYBEAN FARMER IN THIS REGION MORE THAN $16,000 APIECE. YOU SEE BEFORE YOU, MR. CHAIRMAN, A FEW OF THIS DISTRICT'S 3,000 SOYBEAN FARMERS. I THINK THAT THEY WOULD LIKE TO HAVE THAT $16,000 BACK.

IF WE ARE TO CONTINUE EXPANDING OUR POULTRY EXPORTS, AND PRESERVE EXPORT OPPORTUNITIES FOR SOYBEAN GROWERS, WE MUST HAVE A MORE AGGRESSIVE TRADE POLICY.

WE CAN HELP OUR SOYBEAN PRODUCERS DEVELOP NEW OVERSEAS MARKETS. THERE IS LEGISLATION BEFORE THE CONGRESS NOW THAT WOULD DO JUST THAT, WE WILL RECEIVE TESTIMONY ABOUT THAT THIS MORING. SIMILAR PROGRAMS HAVE WORKED WELL FOR CATTLEMEN, DAIRY FARMERS AND HOG PRODUCERS. WE CAN DRAW ON THOSE EXPERIENCES TO HELP OUR SOYBEAN FARMERS COMPETE IN TODAY'S INCREASINGLY COMPETITIVE WORLD MARKET.

FINALLY, MR. CHAIRMAN, THE FARMERS IN MARYLAND HAVE LET ME KNOW THAT THEY BELIEVE THE EXISTING CROP INSURANCE PROGRAM SIMPLY DOESN'T WORK. ONE OF THE PRIMARY GOALS OF THE 1985 FARM BILL WAS TO MAKE FEDERAL CROP INSURANCE AN INTEGRAL FEATURE OF EVERY FARMER'S OVERALL MANAGEMENT PLAN. NATIONALLY, 26 PERCENT OF ALL FARMLAND IS INSURED, BUT IN MARYLAND, AND IN MOST OF THE SURROUNDING STATES, PARTICIPATION IS FAR BELOW THIS RATE.

ONLY 2.9 PERCENT OF THIS STATE'S FARMS ARE INSURED AGAINST CROP LOSS. THE PROGRAM IS SIMPLY TOO EXPENSIVE FOR SMALL PRODUCERS. IT CONTAINS TOO MANY MARKETING BARRIERS AND INFORMATION IS SIMPLY TOO DIFFICULT TO COME BY.

I INTRODUCED THE FIRST CROP INSURANCE BILL TO BE SUBMITTED THIS YEAR BEFORE EITHER THE SENATE OR THE HOUSE OF REPRESENTATIVES. MY LEGISLATION WAS MODELED ON THE REPORT OF MARYLAND'S CROP INSURANCE REFORM TASK FORCE. IT IS INTENDED TO MAKE CROP INSURANCE A MORE AFFORDABLE AND PRACTICAL TOOL FOR MARYLAND'S FARMERS --AND FOR OUR NATION'S FARMERS.

(I MIGHT ADD THAT THE STATE'S CROP INSURANCE TASK FORCE WAS HEADED BY AGRICULTURE SECRETARY WAYNE CAWLEY, WHO IS WITH US THIS MORNING.)

IT HAS BEEN FOUR YEARS SINCE THE PASSAGE OF THE LAST MAJOR FARM BILL. THE U.S. FARM ECONOMY IS REBOUNDING, AND MUCH OF THAT RECOVERY CAN BE ATTRIBUTED TO THE OUTSTANDING LEADERSHIP YOU HAVE PROVIDED. OUR EXPORTS HAVE INCREASED OVERALL TO $36 BILLION. FARM INCOME HAS RISEN TO $58 BILLION, AND FEDERAL SPENDING ON AGRICULTURAL PROGRAMS HAS REDUCED FROM AN ALL-TIME HIGH OF $26 BILLION TO $13 BILLION.

YOU AND I KNOW, HOWEVER, THAT THE REAL CREDIT GOES TO OUR NATION'S FARMERS, WHO ARE THE MOST PRODUCTIVE IN THE WORLD.

I AM CONFIDENT THAT MORE GROWTH AND IMPROVEMENT LIES AHEAD, AND THAT THE FARM BILL WE WILL PUT TOGETHER WITH THE HELP OF INDIVIDUALS LIKE THOSE WHO HAVE JOINED US TODAY, WILL SOW THE SEEDS FOR EVER MORE PRODUCTIVE HARVESTS.

WITH THESE THOUGHTS IN MIND, MR. CHAIRMAN, I THINK IT IS TIME TO HEAR FROM SOME OF THE FARMERS WHO HAVE TAKEN TIME FROM THEIR WORK TO BE HERE WITH US THIS MORNING.

* * * *

The CHAIRMAN. Thank you very much, Mr. Dyson.

Let me mention some ground rules. Ordinarily in the committee we offer everyone who has a prepared text, that if you would like to submit it for the record, and then either read excerpts or summarize it, however you want to handle it.

We would like to ask you, if at all possible, to make your statement within 5 minutes, so that we can accommodate everyone that has been scheduled to be a witness.

Those little lights there—it is green up until the time that your time runs out, then it turns red. But do not be bothered, do not let it make you nervous. Disregard it. [Laughter.]

I will let you know when your time is over. But what we want is the input from you, and that is the most important thing, and whether you do it in time or not is not all that important.

It will help us accommodate, timewise, our visit here. Otherwise, just tell us what you would like for us to hear from us, what you feel, and in the way that you feel the most comfortable. That is the most important thing for us.

So we will begin now the formal part of the hearing with your distinguished secretary of agriculture, the Hon. Wayne Cawley.

Mr. Secretary, we welcome you, sir.

STATEMENT OF WAYNE A. CAWLEY, JR., SECRETARY OF AGRICULTURE, STATE OF MARYLAND

Mr. CAWLEY. Good morning, Chairman de la Garza.

I would like to welcome you to the Eastern Shore of Maryland. I am Wayne Cawley, a farmer as well as Maryland's Secretary of Agriculture. I have a grain farm about one-half hour from here, in Denton, Maryland.

I am representing Governor William Donald Schaefer as well as myself. The Governor is out of town, attending the Southern Governors' Conference. He is the cochairman.

Also, I would like to thank my friend, Congressman Roy Dyson, whom I have known for a long time in politics and what have you for bringing the Agriculture Committee to Maryland.

It is a real pleasure to see you again, Mr. Chairman, so soon after our meeting last week at the National Association of State Departments of Agriculture Conference in Atlantic City. We really appreciate your strong interest in the important work of NASDA. Your efforts and those of this committee help to keep American agriculture strong and healthy in the face of the domestic and international challenges that confront us.

They do not go unnoticed, your efforts, by the farm community. In fact, we look to this committee and you, Mr. Chairman, to head the way in setting the national agenda.

Agriculture is the largest industry in Maryland, as it is in our Nation. Maryland agricultural products are not only prized by our own residents, but also by people nationwide, who buy our produce, livestock, dairy products, and seafood.

Maryland has approximately 16,000 farms, with a variety of commodities produced, including broilers, milk, eggs, meat, grain, vegetables, fruit, tobacco and debt.

In Maryland, we feel food security begins with measures to retain agricultural production, and enhance it, so that it remains in our State as a resource for the future. We have made major commitments using State funds along these lines through our agricultural preservation program.

Under our preservation program, we have protected 171,511 acres of farmland in preservation districts, and permanently preserved some 80,599 acres of farmland in easement purchases.

That is more than any other State in the Nation. Under our preservation program, farmers voluntarily create preservation districts with their property. After 5 years, farmers may then make application to the State to sell their development rights.

The easement purchase price is determined by the difference of the land's agricultural value and its development value.

Our agricultural water quality cost-share program has helped implement more than 4,000 best management practices to conserve the soil and protect our water resources. These best management practices include animal waste structures, spring development projects, filter strips, and critical area plantings.

Also, we are involved in many other initiatives aimed at protecting the food producing capabilities of the Chesapeake Bay, the Nation's largest and most productive estuary.

In my opinion, the 1985 Food Security Act has worked relatively well. It has served its purposes, and helped to restore the confidence of our farming community.

However, for the 1990 farm bill, I respectfully suggest the following modifications.

Commodity programs: Under the commodity support program set-aside provisions, I recommend that a general crop land set-aside replace commodity specific acreage reduction.

This will allow farmers to make the decision of what crop to plant within an overall acreage constraint. This flexibility should decrease conflict of crop commodity program impacts and allow farmers to make decisions based on market conditions.

Dairy program: The current purchase base price support program should continue to be the basis for providing necessary stability to the dairy industry. Price support should be adjusted only as necessary to reflect the overall supply-demand balance of the dairy industry.

The price supports should act as a safety net for producers, not an incentive for overproduction.

Nonpoint source water pollution: Another area of concern to farmers and environmentalists is nonpoint source pollution of surface water or ground water by agricultural chemicals.

Although a distinction needs to be made between low-level contamination within established tolerance and harmful levels of pollution, many groups are interested in having Congress issue strict regulations of agrichemical use for farming operations to preclude any contamination of water sources.

The Congress and USDA must take the initiative to expand existing programs and develop new ones to help agriculture in dealing with water pollution concerns.

The States in the Chesapeake Bay region are conducting monitoring programs to assess actual level of agricultural chemicals in water sources, and are developing management programs to deal with specific problems.

We support the inclusion of a proactive role for the Soil Conservation Service in dealing with ground water protection. Since the scope of agricultural sources of ground water pollution is unknown, USDA/SCS should be given the mission to explore potential sources and appropriate control methodologies to treat those sources.

The initial program should focus on education, research, and demonstration projects and incentive programs.

Low-input agriculture: There has been increasing emphasis place on the so-called low-input farming. USDA has increased funds for research and extension efforts relating to reduced use of inorganic fertilizers and pesticides, and to changes in tillage or farming practice in crop production.

Much additional research by USDA or Federal agencies is needed before farmers will be able to adapt with confidence the low-input techniques while maintaining or increasing the efficiency of growing agricultural crops.

I encourage Congress to provide additional funds for Federal research efforts in this area.

Food quality and safety: The issue of food quality and food safety are important to consumers as well as to farmers. I feel the U.S. food supply—I do not feel I know that the U.S. food supply is the safest, most wholesome and most available in the world today.

However, I feel that we can improve. During the last 2 years, several instances of food contamination by natural or man-made chemicals have increased public concerns about the safety and quality of our food.

Although these incidents were distorted by the media, the perception of unsafe food still exists in the minds of many consumers.

The Congress must ensure that Federal agencies are carrying out their responsibilities for assuring the public of a safe and wholesome food supply.

Let us make sure that existing standards and regulations are implemented adequately before putting further restrictions on farmers and food processors.

Also, I feel that development and implementation of a voluntary organic food certification program should be developed and implemented. The Federal Government should set guidelines so that States could implement uniform programs.

This request has also been made to USDA by NASDA. It should be our concern to ensure that consumers are purchasing what they think they are when they say "organically grown."

Federal crop insurance: He said ignore the light. I am going to.

Mr. DYSON. Well, you did for 1½ minutes. I was wondering when we were going to get your attention. [Laughter.]

Mr. CAWLEY. The Federal Crop Insurance Program: I timed this speech. That watch is wrong. [Laughter.]

The Federal Crop Insurance Program is not working in Maryland. I have personally used crop insurance since 1965. In 1988, only about 5 percent of the farmers, and 3 percent of the eligible acres, were covered by crop insurance.

I have reviewed the principal report of the Commission for the Improvement of the Federal Crop Insurance Program, and encourage the committee to adopt the Commission's recommendations.

The Commission recommends changes to increase responsiveness to producer needs, broadening our participation, program simplification, and improving program administration.

The recommended changes are needed to provide farmers with a better product in crop insurance. If we had a good, viable, cost-effective crop insurance program, then the Federal Government would not need to come to the aid of farmers whenever there is a national disaster.

Conservation provisions: The Conservation Reserve Program should be continued to achieve greater levels of participation as a reality of conservation compliance requirements influencing set-aside decisions.

Any expansion of eligibility should be based on water quality. This is a State and nationally recognized objective of the agricultural conservation programs. Options for permanent withdrawal of enrolled land should be explored with incentive programs being the focus.

The conservation compliance program initiative would alter the conservation system providing much-needed flexibility to the program. Decisions balancing economic hardship and substantial erosion reduction should rest with the local soil conservation district.

It is not feasible to implement this program nationally without the flexibility to adapt to local conditions. We support the continuation of SCS funding at increased levels to provide the needed technical assistance to implement the 1985 farm bill.

Alternative agriculture: Finally, I encourage the continued research funding for alternate agriculture. Special emphasis should be given to aquaculture production.

I would like to thank you for coming to Maryland, Mr. Chairman.

I only live, as I said, about 30 minutes down the road, and I hope you brought your dog Chiko with you today.

[The prepared statement of Mr. Cawley appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Secretary.

We appreciate your comments and your grasp of the situation and all of the specific areas that you have suggested we look at, and we will be looking at them.

I am not going to make comments after every statement, but I would make one here, about crop insurance. A young man in my area works with the crop insurance. He told me not too long ago that "If I knock on a farm door and say I am from the Federal Crop Insurance Program, either they say we already have it, or they sic the dog on me." [Laughter.]

One of the two.

The other one is, last week I had a visit from several members of one of the farm organizations in Texas. And they were complaining about crop insurance, and I basically sympathized and agreed with what they had to say.

But he said, "I want our crop insurance to be just like the commercial insurance. If you have a problem with your car, and you wreck your car, they will pay you for that wrecked car. That is how I want my crop insurance to be."

Well, I had just had an experience with a wrecked car, and they do not pay you what your car is worth. [Laughter.]

And the other insurance people—I would rather we work out our problems and go our own way, because I had the best Mercury Marquis that you have ever seen. But in their book, it was only worth $700. It had new tires, new radio, new everything—that did not matter to them.

That is not what we want to happen to our farmers. We will work on that.

Thank you for all the other areas that you have mentioned.

I would like to mention one thing, also, about organic. I attended a meeting in California with small farmers, 40 acres or less. I was visiting with this very charming, gracious lady who farms 4½ acres of garlic. And one, you are always learning—I found out that there are like five different varieties of garlic. I thought garlic was garlic.

But she said, "And mine is all organic." I said, "Great."

I said, "Now, how do you work your fertilizer? Do you get manure, or what?"

And she said, "Oh, no, I buy commercial fertilizer." [Laughter.]

But she was calling her garlic organic, and that is one of the areas we are going to look into, that we define what organic is.

If people want organic, fine. That is their business. But we need to define what organic is, and go from there.

Thank you very much again, Mr. Secretary.

Mr. Dyson.

Mr. Dyson. Mr. Chairman, when you last visited the shore, one of the things that we talked about was crop insurance.

I think you would agree with me that if that same salesman were to come to the door, most farmers here in Maryland are going to sic their dog on them. We have only about 2.9 percent participation of those eligible right now.

The secretary, I think, used a figure of about close to 5 percent. Whatever it is, it is very low. Farmers are just not participating.

One of the things the secretary has done is establish a task force here in Maryland. And he came up with some very good recommendations.

A lot of those recommendations, I put in a bill that is before Glenn English's Subcommittee on Conservation, Credit, and Rural Development. They are going to start hearings, as you know, pretty soon, on that very issue.

It is a program that is not working. I think you would agree that a 2.9 percent participation rate indicates a failure of the system.

That is just not working for the farmer, and in my own opinion, it is a very critical need. You heard it last year in the drought, and now you are hearing it in better times.

It is just not working for us, so we are glad to hear you say that today.

But Secretary Wayne Cawley, started a task force in Maryland that has come up with some really good recommendations. I thought they were good enough to put them in the form of a bill, which was the first bill I introduced when I became a member of your committee.

The CHAIRMAN. Very good. Thank you very much.

Yes, the subcommittee will begin hearings.

We shared your feelings and established a Commission, a national Commission, as you know, to study the problems of the crop insurance.

They have just finished, and we have their report, and the subcommittee will be having input, hopefully from you or from our colleague, Mr. Dyson, with your recommendations. We have the national Commission report and the subcommittee—are they starting this week? This week or next week?

Wednesday; this week. Chairman English is beginning the process of working on the crop insurance.

Our next witness is Dr. Russell Brinsfield.

Excuse me, we have a panel. Dr. Hytche, University of Maryland, distinguished chancellor, and Dr. Craig Oliver, University of Maryland Extension Service.

All of you know, but I might mention that Dr. Hytche is with the University of Maryland Eastern Shore.

We will hear from you, Dr. Brinsfield.

STATEMENT OF RUSSELL B. BRINSFIELD, HEAD, WYE RESEARCH AND EDUCATION CENTER, UNIVERSITY OF MARYLAND AGRICULTURAL EXPERIMENT STATION, QUEENSTOWN, MD

Mr. BRINSFIELD. Thank you, sir.

I have submitted written testimony, and my comments will summarize that written testimony, sir.

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you to discuss policy issues related to ground water quality, to be considered during the formulation of the 1990 farm bill.

I am Russell Brinsfield, center head for the University of Maryland's Wye Research and Education Center, located in Queenstown, Maryland, and I am also a farmer here in the First District.

Environmental problems associated with intensive agricultural production have been widely documented. Of these problems, one of the most widespread is the contamination of shallow ground water with nitrate under agricultural land receiving applications of nitrogen fertilizer.

Elevated nitrate levels in ground water have been documented throughout the Atlantic Coastal Plain, as well as other areas in the United States and Europe.

Generally, farm families are the sector of the population that experience the greatest exposure to elevated nitrate concentrations in ground water.

In addition, since we are in the Chesapeake Bay region, problems associated with elevated nitrate levels in ground water are not limited to human health issues. Shallow aquifers are connected to surface water bodies, and lateral subsurface transport of nitrate in ground water can make significant contributions to surface waters of the Chesapeake Bay.

If reductions in nitrogen input necessary for restoration of biologic and economic productivity of the Chesapeake Bay are to be achieved, it is likely that problems associated with ground water nitrate contamination with regard to agricultural activities will need to be addressed.

Currently, in the extensive agricultural region of the First District, as well as in the entire Chesapeake Bay drainage basin, corn production constitutes a major land use category.

Of the agricultural acreage in this region devoted to the production of major commodities, corn is also the crop which receives the highest rates of inorganic nitrogen inputs.

Long-term studies on nitrogen transport from corn production systems using recommended best management practices in coastal plain soils of Maryland's Eastern Shore have shown that:

One, the primary transport pathway for nitrogen from these systems is leaching of nitrate through the root zone into ground water;

Two, due to the hydrology of these systems, most of the nitrate leaching occurs in the fall and winter, during shallow ground water recharge;

Three, the flux of nitrate to ground water ranges from 20 to 40 pounds per acre annually; and

Four, nitrate concentrations in shallow ground water consistently exceed 10 parts per million.

Given this information, it appears that corn producing areas should be the focus of strategies for reducing agricultural-related nitrogen transport from these areas.

Short-term solutions: These findings are for corn production systems using currently recommended best management practices, including split-nitrogen application and no-till management. In addition, these systems as currently managed fully comply with provisions of the soil and water conservation plan as outlined in the 1985 farm bill.

Consequently, it appears that new and innovative best management practices need to be developed which focus on the primary environmental problem associated with agriculture in the Coastal Plain—specifically, ground water nitrate contamination.

Provisions for consideration which encourage farmers to implement management options that address water quality issues should include:

One, equalization of corn and wheat bases to encourage crop rotation, thus reducing the high rates of hydrologic nitrogen transport associated with continuous corn production systems;

Two, recently, the ASCS division of the USDA announced that the producer could make a one-time base exchange between high- and low-residue producing crops to satisfy criteria for the soil and water conservation plan.

In regions like Maryland's Coastal Plain where erosion rates are relatively low, but nitrogen leaching to ground water is a problem, modification of this provision to include base equalization or exchange among corn and/or wheat and barley—all considered high-residue crops—could help improve water quality; and

Three, provisions are needed which allow for corn base protection, if that base does not exceed 50 percent of a farmer's total acreage without the requirement that the entire base be planted to corn.

This would eliminate corn acreage planted solely for base protection, and would encourage farmers to consider alternative, noncommodity crops.

Even with these adjustments in the farm bill to encourage crop rotations, additional measures will be needed to help solve the problem of nitrate transport to ground water. For example, the soil and water conservation plan written into the 1985 farm bill needs to be expanded to include provisions similar to erosion control, but which focus on areas where even though soil erosion is not a problem, ground water contamination by nitrate leaching is problematic.

In addition to these considerations, recent research in the Chesapeake Bay region suggests that cereal grain cover crops planted in the fall following corn harvest may provide a simple and relatively inexpensive management practice for addressing the problem of nitrate contamination of ground water.

If managed properly, it appears that a percentage of the nitrogen retained by these cover crops can be utilized during the following growing season, thereby reducing the inorganic nitrogen inputs required to maintain economic optimum crop production.

Therefore, a provision in the upcoming farm bill requiring cereal grain cover crops on corn acreage which is not rotated into small grain production, as well as possibly set-aside acres, should be considered.

Estimates for the five major corn-producing counties on Maryland's Eastern Shore indicate that if cereal grain cover crops were planted following corn harvest, on those acres in continuous corn, approximately 1 million pounds of nitrogen could be assimilated annually, making it unavailable for leaching into ground water.

Preliminary research results suggest that approximately 25 percent, or 250,000 pounds of that nitrogen, could be recycled to the next year's corn crops, thus reducing the total inorganic nitrogen required to grow a crop.

In conclusion, generally the U.S. farming community should be encouraged to continue implementing sound alternative management systems which have proven to be economically viable, environmentally sensitive, and sustainable for future generations.

Increased funding to land-grant universities to support the development of sustainable agricultural systems which focus on reducing all farm nitrogen inputs, while maximizing the recycling of nitrogen within the farm boundaries is critical if we are going to solve the problems of elevated nitrate concentrations in ground water, and to ensure a healthy future for American agriculture.

Mr. Chairman, thank you very much.

[The prepared statement of Mr. Brinsfield appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Brinsfield.

Dr. Hytche.

STATEMENT OF WILLIAM P. HYTCHE, PRESIDENT, UNIVERSITY OF MARYLAND, EASTERN SHORE, AND CHAIR, COUNCIL OF 1890 PRESIDENTS/CHANCELLORS

Mr. HYTCHE. Mr. Chairman, Congressman Dyson, I am Bill Hytche, president of the University of Maryland Eastern Shore. I am also chairman of the Council of 1890 Presidents and Chancellors.

On behalf of the 17 largest and most prestigious historically black public colleges and universities in the Nation, we sincerely appreciate this opportunity to testify before you this morning.

Congressman Dyson had his office call me three times to let me know that I had only 5 minutes, and I see the red light is on already. [Laughter.]

He knows, Mr. Chairman, when I get started talking about the University of Maryland Eastern Shore generally and agriculture in particular, I have an awful lot to say.

I have submitted written testimony. It is rather lengthy, and I am going to be relatively brief in my statement. It might be a little bit disjointed for those who have not had an opportunity to read my testimony.

But I want to say that education in my estimation—and I would be derelict in not saying this—is the key to all the problems that we may be having, all the problems that those will be testifying before you today. I think they could be solved only by educating the clientele which we are attempting to serve.

I would like to say, Mr. Chairman, we favor the continuation and increased funding for the National Needs Fellowship Grants Program. This is considered an exceptional program, but the selection process should ensure greater ethnic diversity and 1890 participation.

We think this is one of the finest programs that is in existence over the last few years. If we intend to be competitive and innovative, resources should be provided to develop outstanding graduate programs, complemented by research endeavors in high-demand areas.

This must be substantial. We must have substantially greater support for the creation of graduate programs in our campus in areas of national priority.

Mr. Chairman, we know the work that you did in helping us to get the $50 million distributed over these 17 institutions, and I can tell you that it has made a difference in my campus.

The Eastern Shore farmers and those related to the farmers are now beginning to take a look at the University of Maryland Eastern Shore in the area where we feel we are very strong, and it is all because of your continued work to help make these campuses viable and attractive to the farmers which we must serve.

I would like to mention that the newly created Capacity Building Grants Program must be expanded and funded at the level of more than $11 million in order to meet the critical shortage of black Americans in agriculture, science, and technology.

Almost every document we are able to pick up regarding the technology explosion, the final word is that the population change and demographics changing as it is, we must educate more minorities to fill these positions.

It is critical that the 1890's develop centers of excellence to complement graduate programs in areas of national need. Thus, it is important to create a new and far-reaching initiative at the level of some $50 million over a 5-year period, solely for resident instruction.

Resident instruction must take a front seat if we are intending to meet all the needs of this great country.

We would also like to say that the 1890's must receive greater research support to innovate faculty, enhance instrumentation, getting graduate students as research assistants, and to capitalize on the existent resources in the private sector.

Instrumentation is extremely important if we are to continue to take care of the many needs of the constituents which we serve. All of these initiatives are within the realm of the Department's mandate, and we note for example that over the past 2 years, center of excellence in aquaculture have been established with little, if any, consideration given to these 1890's institutions.

We have a small aquaculture project funded by the Mitch program here in the State of Maryland, closed circuit program where we are growing tolopia, and we have had some nine States visiting us to look at the technology that our faculty members have put together, and we think that we are moving in the right direction.

I know the time is running, but I want to talk just a little bit about rural development, and I want to talk about it simply because the University of Maryland Eastern Shore, through the efforts of the State, the local government, the University of Maryland and the Federal Government is establishing a rural economic development center.

During the 1950's and early 1960's, rural communities retained a significant comparative advantage in many natural resources industries and small agricultural business enterprises. Most rural communities developed farming-oriented industries that provided occupations vital to the economic viability of the rural communities.

In the 1970's, there was a significant shift in rural industrial development. Most manufacturing and service industries moved to urban areas, with the rural area retaining the youth, the elderly, and the unskilled labor force.

Efforts to promote economic growth were oftentimes unsuccessful. Most activities that had begun could not sustain economic growth. The effect has been a continued degradation of the quality of life.

Rural unemployment has continually increased, and there is a high rate of rural population outmigration, lowered educational attainment, and a high rate of illiteracy.

I take my own county for example. The unemployment rate is the highest in the State. The support for primary and secondary education is one of the lowest. My university is the major employer and is the only hope for sustaining the economic revitalization.

Just recently two businesses that had been in existence for more than 20 years have announced their closing. Others are facing similar predicaments unless something is done.

Over the years, we have heard of rural development initiatives, but I certainly believe that such programs have not contributed equitably to the overall goals of improving the rural economy or the quality of life in rural communities.

All we hear about is urban development, urban development. We think that a greater emphasis should be placed on rural development.

Mr. Chairman, Congressman Dyson, it is my intention to make some concrete suggestions which I hope you will consider for implementation, recognizing the fact that legislation must be followed by appropriate funding.

Resources in many rural communities still remain underutilized. I refer to the 1890 land-grant institution as the first one, located in States with many small communities and towns serving many minority farmers and farm families.

I strongly recommend the infusion of adequate resources in these institutions to promote rural economic growth, rural income enhancement, rural housing, health care, recreation and education.

Regional rural development centers have been established to conduct research and extension activities related to rural development, but none is located on one of these 1890 institutions. I think of my institution, serving the Eastern Shore, and I think it would be a very, very good example.

I am proposing, Mr. Chairman, the creation of rural economic incubators. These incubators would help to promote small rural business enterprises, and assist them functionally for 3 or 4 years before weaning them.

Some centers to conduct studies in rural affairs, focusing on rural transportation, health care, the elderly, leadership development, and retaining the skill development for this place.

I know time is running out.

Let me just express my thanks to you for allowing me to be here before you——

The CHAIRMAN. Doctor, go ahead and give us your message. Like I said, it is more important for us to hear your message than to worry about the time.

Mr. HYTCHE. Let me emphasize rural communities with a healthy, young workforce and good leadership skills will survive only if we provide the education. Education will, however, be the crucial element in achieving rural economic development.

We think institutions such as the institution that I head is the right place for this to be done, and it can be done through the work that we are attempting to do.

Through education we can trail rural entrepreneurs, motivate community action and attract prospective investors, which is extremely important.

Mr. Chairman, let me again express my thanks to you for allowing me to appear before you on behalf of the Eastern Shore and the 1890 colleges and universities. It is especially gratifying since you are meeting here on the Eastern Shore, and this is historic.

It is so historic that I turned around a few minutes ago and saw representatives from some of our classes on the campus, just to see your committee in action because they know how valuable and how important you are.

The Eastern Shore has a rich tradition in agriculture, particularly small-scale agriculture. In our 103-year history, most of our work has been done in the area of small- and part-time farming.

I can think of no better place to push that initiative than an institution such as ours. The poultry industry, the fish industry have contributed much to the economic survival of this shore.

However, recent problems with pollutants in the waterways, grain prices, and various regulatory impediments have significantly affected marketing of our agricultural products.

Without adequate support at the Federal level, the Eastern Shore, which is primarily rural, will suffer tremendous economic consequences.

What is needed is not just policy but a significant infusion of dollars to create jobs and business ventures, to provide educational opportunities and increase the potential for our at-risk kids as productive contributors to society.

Thank you very much.

[The prepared statement of Mr. Hytche appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Dr. Hytche.

Dr. Craig Oliver, University of Maryland Extension Service, College Park.

STATEMENT OF CRAIG S. OLIVER, ASSOCIATE VICE CHANCELLOR, AGRICULTURE AND NATURAL RESOURCES, UNIVERSITY OF MARYLAND, AND DIRECTOR, COOPERATIVE EXTENSION SERVICE, COLLEGE PARK, MD

Mr. OLIVER. Mr. Chairman, Congressman Dyson, I am Craig Oliver, associate vice chancellor for agricultural affairs and also the director of the Cooperative Extension Service.

I am pleased to be here this morning with my colleagues, Dr. Brinsfield and Dr. Hytche, who I think have very well stated some of the issues of concern to us in higher education.

I am also pleased to be with Wayne Cawley, who articulated very clearly some of the issues that face agriculture here in the State of Maryland, and I would also indicate that those same issues are not only related to this State, but to the mid-Atlantic region, to the Northeast, and in many cases, across the United States.

As Wayne indicated to you, the Food Security Act of 1985 served us well.

As we look to 1990, and you deal with the issues of the next revision or reauthorization of the Food Security Act, there are certainly many problems that you must face.

I think quickly of the story about the individual who is coming home one night from the bar, and was pretty cold, so he stopped at another bar and picked up a pint of whiskey and nipped it on the way home.

As he approached his house, he put it in his hip pocket, because he knew his wife did not like him drinking.

As he started up the stairs, there was a patch of ice on the top step, and he slipped and fell, the pint broke and he cut himself.

So he rushed upstairs, went into the ~~bathroom~~, took out his wife's mirror, took off his clothes, and bandaged himself in the appropriate location.

He went to bed.

The next morning, his wife said to him, "You were drinking last night."

He said, "No, I wasn't."

And he continued to reiterate that he was not drinking, and she continued to get more furious and indicate that he was drinking, and finally he said to her in a loud voice, "What made you think that I was drinking last night?"

And she said, "I went in to use my mirror this morning, and it was all covered with Band-Aids." [Laughter.]

We would hope the 1990 farm bill does not become a series of Band-Aids.

I am going to try to very quickly just cover some of the points that I feel are most important to the farm bill from the university perspective. These relate to what Bill Hytche has said, what Russ Brinsfield has said, and what Wayne Cawley has said.

Let me go over these points very, very quickly.

One, we feel very strongly that in title XIV of the farm bill, in 1990 there should be a section on global change in the environment. The issue is certainly one that is very important to us, and there is a tremendous need for research in this area to determine what will be the influence of global climate changes in the future.

Two, as Bill has said, we feel that an additional title or sub-title should accommodate rural revitalization, or rural economic development.

Three, addition within title XIV of a subtitle on food safety, health, and nutrition as it relates to extension and research. This is a major area of concern to us, as mentioned by Mr. Cawley.

Four—and I am surprised Bill did not mention this, but I know he believes in it—we believe there should be a modification in the authorization language of the 1890 land-grant institutions to increase from 6 percent the amount of support for the Cooperative Extension programs at our 1890 institutions.

Five, inclusion within title XII of a subtitle to include a provision for the extension educational components, including funding authorization relating to the Conservation Reserve Program, swampbusters, sodbuster, and related provisions of this title.

Six, inclusion within title XIV of a subtitle on water quality research and education, and I think Wayne Cawley and Russ Brinsfield articulated very clearly some of the issues in this area.

Seven, inclusion within title XVI, subtitle f, addressing value added and economic competitiveness as a component of economic development.

Eight, expansion of the conceptual framework which established regional agricultural exports and trade policy centers to assist in improving our global competitiveness.

I might add at this point, we have an active development of an agricultural trade center in the State of Maryland, with funding occurring from Mr. Cawley in the department of agriculture, from the University of Maryland College Park, from the Cooperative Extensive Service and the agricultural experiment station.

Nine, authorization to identify social and economic studies as a sector for competitive grants for youth at risk, which will aid in maintaining our human capital resource base throughout this State and others throughout the Nation.

Ten, reauthorization of the Agricultural Productivity Act which provides authority to conduct research and education programs and alternate farming systems, including aquaculture.

In summary, I believe those are the points that I would bring to you, all of which have been reiterated by Dr. Brinsfield, Dr. Hytche, and Mr. Cawley.

I appreciate the opportunity to be here today, and I hope I can get you back on time.

Thank you very much.

[The prepared statement of Mr. Oliver appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Oliver.

Thank all of you for your contribution.

Do you have any questions, Roy?

Mr. DYSON. No, I do not.

Mr. Chairman, I think you can see how broad this farm bill is, and you can see how far-reaching it is. Now, it can impact on both the universities both in College Park and here on the Eastern Shore by these witnesses here today.

They made good testimony, and we will make a special effort to read that which you have prepared.

The CHAIRMAN. Thank you very much. You have been most helpful.

The next panel is Mr. Bill Satterfield, Mr. Milton Malkus, Mr. Jesse Burall, and Mr. Allen Davis.

We appreciate your being here, and we will hear from you in the order in which you appear in the schedule. Mr. Satterfield.

STATEMENT OF BILL SATTERFIELD, EXECUTIVE ASSISTANT, DELMARVA POULTRY INDUSTRY, INC.

Mr. SATTERFIELD. Good morning. I am Bill Satterfield, executive assistant for the Delmarva Poultry Industry, Inc., also known as DPI.

DPI is a nonprofit trade association working for the continued advancement of the more than $1 billion a year poultry business on the Delmarva Peninsula.

The peninsula includes Delaware, the Eastern Shore of Maryland and the Eastern Shore of Virginia.

Our association has 4,000 members. They include the eight integrated poultry companies operating on Delmarva, their employees, most of our various 2,700 poultry growers, allied industry, suppliers of products and services, and nonpoultry business which recognize the importance of the poultry industry to their businesses.

The 1985 Food Security Act has done a lot to improve agriculture in America, and DPI supports the concept of that law. It has moved general agricultural policy toward a more market-oriented position.

At the same time, we recognize that fair and stable returns to crop producers are necessary to help assure an adequate supply of feedstuffs at a reasonable cost.

America's and Delmarva's poultry industries are truly success stories. Per capital chicken consumption has risen from about 21 pounds in 1950 to almost 68 pounds this year. It takes a shorter amount of time to produce a heavier chicken with less feed than it did back in 1950. These advancements, Mr. Chairman, Mr. Dyson, have been made in a free market system.

Without the constraints of marketing orders, supply management, price supports, and other programs that exist for feed grains, our industry has had tremendous growth without the billions of dollars spent on other types of farmers.

The law of supply and demand works, as shown by the poultry industry, and DPI believes the move toward a free market system in all of agriculture is in the best interest of the Nation.

There are several issues needing addressing in the 1990 farm bill. One of them is the need for increased crop planting flexibility. Today's commodity programs unintentionally discourage farmers from shifting acreage from target price crops—corn, feed grains, rice, wheat, and cotton—to other crops, even when market conditions strongly signal for a change.

For instance, the corn program is having an undesirable effect on soybean plantings. Acreage devoted to soybeans has declined despite favorable market conditions.

Farmers are selecting corn because of corn's relatively attractive target price, and because farmers need to safeguard their corn base to protect their eligibility for program benefits in future years.

In today's markets, domestic and abroad, farmers need the flexibility to shift from one crop to another to increase exports and to respond to profit opportunities.

The poultry industry is a major user of feed grains and soybeans. Nearly 75 percent of the cost of producing a chicken is the cost of feed. About 66 percent of the poultry diet is corn, with 20 percent soybean meal.

We are, therefore, very much concerned about the removal of acreage from production. Growing evidence suggests that the forced idling of millions of acres of cropland hurts the competitiveness of the American farmer by increasing production costs.

When any industry operates below its productive capacity, it faces disadvantages. Unit production costs rise, fixed assets are idle, and competitiveness declines. This is certainly the case with agriculture.

The USDA's heavy reliance on acreage reduction programs to control crop production and lower farm program costs need to be examined.

Exports of broilers and broiler parts are expected to continue strong for all of 1989, up 15 to 20 percent, according to the USDA. In the first half of this year, exports were record large and 31 percent above 1988.

Exports are becoming more important for Delmarva's poultry companies. Though our companies have not participated in the Government's export assistance programs, DPI supports the continuation of these programs until the underlying reasons for such programs—unfair trading practices by other countries—can be effectively and adequately addressed in trade negotiations.

The Export Enhancement Program should not be made a permanent feature of America's farm policy, but should be reauthorized as a tactical step to help American exporters with specific commodities in specific markets.

In the area of environmental matters, Delmarva's poultry industry has been a leader nationwide. Our industry, especially our growers, recognize the importance of protecting our natural resources.

It is in their best interest to properly dispose of waste, such as manure and dead birds, because they have to live in the areas where the chickens are being grown.

On Delmarva, DPI, the local land-grant universities, county conservation districts, State regulatory agencies, and the USDA have worked together to develop acceptable and cost-effective ways of dealing with waste products.

As the Congress, the States, and the citizenry become more concerned about the quality of the environment, we would like to see an increased financial commitment from the USDA through the Soil Conservation Service and the Agricultural Stabilization Conservation Service for manure poultry structures and dead bird composting systems.

This cost-share money would provide an incentive for growers to properly dispose of waste.

Absent assistance from the Government, we fear some growers will not properly dispose of and store their manure, or use this manure as the valuable product it is.

These storage and composing structures, combined with best management practices, will help growers do their part to protect the soil and water.

Finally, let me take a moment to thank Congressman Dyson on his work in increasing the amount of money provided for poultry research through the Agricultural Research Service and the Cooperative State Research Service.

As he points out in his written statement, presented this morning, there is a great inequity between USDA research money for the beef and poultry industries. While poultry per capita consumption has been increasing and beef decreasing, USDA beef research money is nearly twice that of poultry.

The poultry industry believes the level of financing needs to be brought more in line with the per capita consumption, and we would favor increased spending for poultry-related matters within ARS and the Cooperative State Research Service.

Mr. Chairman, Congressman Dyson, your committee and the entire Congress have a difficult job facing you as you draft the 1990 farm bill. You must balance the needs of the farmers who grow the crops with the needs of the buyers and users of those crops, such as the poultry industry.

We hope that you will keep that equation in mind as you work on the bill. We thank you for letting us testify this morning.

The prepared statement of Mr. Satterfield appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Satterfield.

Mr. Malkus.

STATEMENT OF MILTON M. MALKUS, FARMER-LEADER, MID-ATLANTIC SOYBEAN ASSOCIATION

Mr. MALKUS. Good morning, Mr. Chairman, and the other distinguished member of the committee here present. Good morning, again.

Mr. DYSON. Good morning, Milton.

Mr. MALKUS. It is good that you are here, and we do appreciate the opportunity that you have given us to be heard.

I am Milton Malkus, a soybean farmer from Blackwater Farms near Cambridge in Dorchester County, Maryland. It is a true pleasure to be invited here today.

Soybeans are Maryland's leading cash row crop. This year, about 17 million bushes of soybeans will be harvested here on 560,000 acres, according to USDA figures.

Our crop has a cash value of $95.5 million. As you can see, soybeans are important to farm income in Maryland.

They are also a vital protein feed component for poultry, a major industry in Maryland. Soybean farmers value their customers, including poultry producers, since each year poultry consumes 46 percent of the soybeans they produce in the United States.

Soybean farmers congratulate this committee for coming to the country to hear from farmers and others directly affected by the important decisions you make. The next farm bill you write will set the framework for U.S. agriculture into the next century.

The stakes are high and the challenges are significant.

The American Soybean Association has a 1990 task force of farmers who have been working for the past 15 months, listening and surveying soybean farmers. They held many listening sessions of farmers around the country, and found four top concerns, looking toward the next farm bill.

One, the environment and how it will impact on our farming operation;

Two, greater farmer freedom to make planting decisions;

Three, market-driven demand growth; and

Four, soybean quality.

Environmental policy clearly overlaps with farm policy. I would like to focus on both today.

We need balanced environmental policies which will allow farmers to produce soybeans competitively and profitably while protecting the environment.

Positive incentives to encourage sound environmental practices, accompanied with increasing education programs, would go a long way toward continuing good stewardship of our productive land.

If farmers have more freedom to plant what is best for their farming operation they can improve crop rotations. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemicals, and lower farm production costs.

When I talked to farmers in Maryland, they told me that they would rather produce for the market than the mailbox. They want greater freedom to make planting decisions on their farms. If prices fall dramatically, they want a safety net of reasonable income support.

Farmers also want simpler farm programs. Now, we spend literally days in the local ASCS office, waiting in line to be told what to plant, where and how much of one crop or another. Why can't we simply report to ASCS the acreage we grow, instead of asking permission?

Now, I know that farm programs are voluntary. But farmers cannot afford not to participate in farm programs, or they suffer the long-term potential economic consequences of losing base. Their bankers will not let them.

Moreover, we remember that farm programs provided important income support during the low prices of the mid-1980's, and that having base acreage is a key to those benefits.

Soybean farmers would like the option to improve crop rotations for agronomic and price reasons. Continuous production of program crops is skewing crop rotations with adverse impacts on yield. Moreover, the market today offers some attractive profit opportunities for nonprogram crops such as soybeans.

Why not give farmers greater freedom to grow soybeans for the market by allowing substitution without base loss? We suggest you explore options which meet the various soybean regional interests to achieve this goal.

The current U.S. farm programs are discouraging production of soybeans in the United States, and encouraging production overseas. Farm Program economics tell me to maximize production of program crops, which have a target price yielding greater returns than the market price for soybeans.

Yet, foreign competitors like Brazil and Argentina do not receive a target price. They keep expanding their soybean production because they see that soybean cash prices are more profitable than cash prices of other commodities.

U.S. farmers get the signal to maximize production of program crops while our competitors see the opposite signal from the marketplace. As a result, U.S. production of soybeans and other oil seeds is down 31 percent, and acreage are down 20 percent since 1979.

Foreign production is up 52 percent, and acreage is up 22 percent. World demand for protein and vegetable oil is growing at a 4 to 5 percent per year. U.S. farmers are reducing soybean acreage in a growing market, while foreign competitors expand and seize profit opportunities from U.S. farmers.

As you write the next farm bill, we recommend you carefully consider the impact of one crop policy upon another. The same farmer often grows several crops, and must weigh the economic benefits of growing one crop over another.

Soybean farmers would welcome the opportunity to work with this committee to pursue creative solutions to resolve these challenges facing soybeans.

Our problems are not necessarily low price and high Federal cost. Our challenge is to achieve policy which lets us produce a quality crop for the market, generate a profit, and benefit from a growing world market.

To benefit from a growing world market we must also work to reduce unfair trade barriers.

The Targeted Export Assistance Program, TEA, is an important tool to combat unfair trade barriers, many of them in the European Economic Community. The EEC is our largest market and also our largest competitor.

TEA has been very successful in offsetting unfair soybean trade barriers. For example, the TEA Program is responsible for increasing soybean oil consumption in Portugal by 36 million bushels, and by 8½ percent in West Germany.

TEA funds help increase the share of identified soybean oil on the market from 3.5 percent to 7 percent. Your committee included the TEA Program in the 1985 farm bill. We strongly urge that it be continued and strengthened in the next farm bill.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

[The preparted statement of Mr. Malkus appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much for your testimony, sir.

Mr. Burall, we welcome you and would be happy to hear from you at this time.

STATEMENT OF JESSE I. BURALL, VICE PRESIDENT, BOARD OF DIRECTORS, MID-ATLANTIC DIVISION, DAIRYMEN, INC.

Mr. BURALL. Mr. Chairman, I am Jesse Burall, a dairy farmer from Monrovia, Maryland, and vice president of the board of directors of the Mid-Atlantic Division of Dairymen, Inc., a milk market cooperative operating in 16 southeastern States.

I am also a member of the Maryland Agricultural Commission and the Maryland Farm Bureau and the Maryland State Grange. I am pleased that you and Congressman Dyson and your committee are here today providing this opportunity for us to express our views on the 1990 farm bill.

I, along with my wife, operate a 900-acre dairy farm—250 owned and 650 leased—in Frederick County, Maryland. We have four sons and one daughter. One son operates an 80-cow operation of his own. One son is involved in the home operation where we milk 100 cows.

During the 40 years that I have been in the dairy business, the investments that I have made in my dairy operation have been made in the expectation that U.S. dairy policy, while not holding support levels constant, would permit industry adjustments to take place in an orderly manner. This is essential if we are to continue dairy farming in Maryland.

Only twice in the last five decades has milk production exceeded the commercial use to the extent that some surpluses of dairy products were helped by the Commodity Credit Corporation for significant periods.

The first one was in the early 1960's, and the other in the 1980's. In each case, the price support levels for milk and dairy products were set too high. Production was overly stimulated and the period of readjustment followed.

While support prices in the late 1970's and the early 1980's stimulated investment and led to excessive surpluses of dairy products, TEA related in the 1980's, the 1985 farm bill recognized the need to bring supply and demand once again into balance. It has done so.

From a level of over $2 billion in 1985 outlaid by the Commodity Credit Corporation toward dairy price supports and market stabilization activities, this has declined to about $670 million—a 68-percent decline in program outlays.

The reduction in dairy has helped cut the cost of the agricultural stabilization program from 2.68 percent of the Federal budget in 1986 to just over 1 percent.

Today, the Dairy Price Support Program is functioning as a safety net for farmers, rather than an incentive to produce far beyond market needs. Government stocks of cheese and nonfat dry milk are gone. The support price for butter, the only dairy product in surplus, is being adjusted to reflect more closely its commercial market value.

Federal market orders continue to provide for the orderly marketing of highly practical products. They continue to assume an adequate supply of pure and wholesome use for fluid use in all markets through a set of rules, regulations and pricing provisions that attract milk for fluid use from the local area or from distant markets in an orderly and consistent manner.

Looking ahead, there are uncertainties about the impact of new technologies, as there have been in the past about the introduction of other technologies that have increased industry productivity.

Mr. Chairman, as the committee considers the 1990 farm bill, the dairy section legislation, I would like to make the following recommendations.

Dairy price support programs: An effective dairy price support program is essential if market stability is to be afforded producers and consumers. The market orientation of current programs should be maintained, with the support level providing a floor below which milk should not fall.

The support price should provide a safety net to prevent disastrously low prices to dairy farmers.

Section 22, import quotas, would protect domestic agriculture and subsidize exports and should be maintained.

Changes in the level of price supports should be set utilizing a dairy-specific formula, a snubber or a trigger, based on the projected levels of Government purchases of dairy products.

Price support adjustments limited to 50 cents per year or 5 percent per year, whichever is less, should be made gradually. Adjustments should be made downward if CCC purchases exceed 5 billion pounds of milk or equivalent per year, or upward to no more than 50 cents or 5 percent if CCC purchases are less than 2.5 billion pounds of milk equivalent per year.

In no event should the support price level be permitted to be more than $1 below the U.S. average price for grade milk during the previous year.

If price adjustments I have just mentioned will operate to maintain acceptable bounds between supply and demand, therefore supply controls under normal circumstances would not be needed. To more accurately reflect the market for milk and dairy products CCC purchases, when converted to a milk equivalent basis, should be converted using total solid or whole-milk base, rather than milkfat.

Federal order programs: A strong and flexible Federal Milk Marketing Order Program is essential to maintain an orderly marketing of milk and fluid in manufactured dairy product markets.

Class I differential adjustments contained in the 1980 farm bill, while not sufficient to cover total transportation costs, more accurately reflect the cost of transporting milk surplus to deficit regions and differentials in effect from 1968 to 1985. Therefore, they should be retained subject to review and adjustment by the Secretary of Agriculture.

Classified pricing of milk to reflect its use is essential if the integrity of the Federal order system is to be maintained. However, reconstitution should be permitted only with compensatory payments or down the lot.

Milk concentrated by reverse osmosis can be shipped between orders without destroying the classified pricing system if on the milk equivalent basis the milk is priced as bulk fluid milk shipped into orders. Local or regional orders are the best means of recognizing that fluid milk markets are less than national in scope.

In conclusion, Mr. Chairman, the dairy section of the 1985 farm bill reestablished a relative balance between supply and demand in the market, and reduced program cost.

With reasonable and relatively minor adjustments, the extension of a dairy price support in the Federal order programs will provide a dairy policy that will continue to serve the needs of producers and consumers.

Mr. Chairman, committee, thank you.

[The prepared statement of Mr. Burall appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Burall. We appreciate your testimony.

Mr. Davis.

STATEMENT OF R. ALLEN DAVIS, PRESIDENT, MARYLAND GRAIN PRODUCERS ASSOCIATION, INC.

Mr. DAVIS. Mr. Chairman, and Congressman Dyson, I am Allen Davis, a corn, soybean, wheat, and hog farmer from Kent County, Maryland.

I currently serve as president of the Maryland Grain Producers Association. I appreciate having the opportunity to come before your committee today to discuss concerns by the Maryland Grain Producers on the 1985 farm bill and points for consideration on the 1990 farm bill.

Through the 1985 Food Security Act, a tremendous step was made in the development of the Export Enhancement Program and lowering of the support prices which very effectively were holding U.S. grain out of the export trade market.

Programs toward market-oriented policies, such as export enhancement, have enabled U.S. farmers through renewed export trade to create a $35.2 billion positive trade balance for 1988. Through this increased demand for our grain, a 53-percent reduction in Federal expenditures through Government subsidies has taken place over the past 4 years.

Until the world grain trade can lay aside subsidized farm policy, our grain producers need the U.S. Department of Agriculture to aggressively pursue overseas markets in order for our industry to survive, and we urge the renewal of this program.

Increased flexibility to allow planting of nonprogram crops has been called for by the Maryland Grain Producers. A change in the 1985 farm bill whereby a farmer can increase his planting of oil seeds or other nonprogram crops in order to respond to true open market-based decisions or to better facilitate crop rotation plans without disturbing his acreage bases will be most helpful.

This move will enable farmers to participate in true open-market decisions rather than remain dependent upon Government program benefits.

However, we strongly oppose the development of the flexibility option if it merely serves the administration as a back door method of cutting program spending. The agricultural budget has led the way in helping to reduce the Federal budget deficit in the last years.

While the decrease in the support prices in the current act has returned us to a competitive position in the world grain trade, a simple continuation and the lowering of supports is not necessary in new legislation.

The Maryland Grain Producers urge that all support prices and loan rates remain as they are, and if perhaps inflation should begin to increase, a clause could be entered allowing target prices to adjust in order to keep up with costs of production.

Since the drought in 1988, crop insurance has received much attention. Crop insurance could be a valuable risk management tool for grain producers if its benefits were kept current with production costs. The yield rates that are used by crop insurance and the ASCS need to be updated, or, if not, the opportunity given to farmers to prove their yields.

A comprehensive study on crop insurance was completed by the Maryland Department of Agriculture in 1988 and 1989. Copies were sent to our Congressmen with the full support of the Maryland Grain Producers.

The Crop Insurance Program will greatly benefit from the proposals listed in this report.

The Maryland Grain Producers strongly support the continuation of the Sugar Program in the 1990 farm bill. Our sugar industry, which used 560 million bushels of corn in 1988 as our third-largest consumer, is served by this program, which is written to create no cost to taxpayers and deliver sugar to consumers at a fair price.

Exciting new uses for our grain such as degradable plastics, soy ink, and ethanol deserve whatever support we can give them. Encourage Congress to act in their favor.

Environmental concerns are the point of much attention by the public today. Many of these concerns have been gaining the attention of farmers for over a decade as they began to culminate in legislation such as mandatory conservation plans, construction of waterway sediment retention ponds on our farms.

Ground water contamination is a specific topic of concern by farmers as well as the public. Maryland Grain Producers strongly urge Congress to provide funding to our land-grant universities, the National Science Foundation and the Academy of Sciences to research this problem with proven, unbiased procedures, in order that we can obtain reliable data to base future practices of chemical usage.

We cannot allow the special interest group hysteria that is purging our media with scare tactics to influence future legislation. This issue can be properly addressed after sound scientific research has been conducted by qualified institutions.

In closing, I will state my utmost concern for the future of agriculture. The level of bureaucratic paperwork and procedures that are demanded of farmers has grown so that it literally stifles the operations of our farms.

Our farm plans must be free for rapid adjustment for weather and other conditions in order to get timely field operations completed. Currently, we have conservation plans which require approval by Soil Conservation. Proposals are being made by environmental groups that farmers submit a plan for pesticide usage.

The American farmer cannot exist under this type of bureaucratic regulation, and we urge your committee to keep this under consideration when developing this 1990 farm bill.

One more brief point I would like to make that to me serves as a true yardstick of what farming is facing here in Maryland: Our average age of farmers in the State of Maryland is 54, or approximately 10 years from retirement, and that is the whole agricultural industry from the grassroots level. They are just about looking at retirement.

I think we need to address some concerns there as far as what a young farmer has to look toward when he comes into the farming practice. The average return for farmers is only about 3 percent.

Considering the level of risk they are entering, with the increased cost of machinery and inputs, that falls way behind a conservative business which expects at least 5 percent or better return on their investment.

I really feel like our 1990 farm bill deserves—we have to put a lot of attention to just where farming is going. When 1995 rolls around, we may be in sad shape here as farmers go in Maryland.

Anyway, I would like to thank you for this opportunity on behalf of the grain producers for airing our views.

Thank you.

[The prepared statement of Mr. Davis appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Davis, and we thank all the members of the panel. You have been most helpful.

The next panel will be, Mr. Robert Wilson and Mr. Royden Powell III. We already heard that Mr. Brauer of the grange—it was impossible for him to be here. He is submitting a statement for the record.

And we hear that Mr. Bill Klingelhoffer is on his way, or might not be here. So for the time being we will begin with Mr. Wilson.

Let me add, before you begin, that the last time I was here with my good friend Congressman Dyson, Mr. Wilson chauffeured me around and was my driver, and I have not had a high priced driver like that in a long time. [Laughter.]

We welcome you, and we will be happy to hear from you at this time.

STATEMENT OF ROBERT E. WILSON, PRESIDENT, MARYLAND FARM BUREAU

Mr. WILSON. Thank you, Mr. Chairman.

Does that mean, seeing as how the other two are not here, that Roy and I get the extra time?

The CHAIRMAN. It depends how much that green light is on, rather than the red one.

Mr. WILSON. OK.

Mr. Chairman, members of the House Committee, I am Robert Wilson, president of the Maryland Farm Bureau, and also a farmer here in Queen Anne's County.

We have submitted written testimony.

As a general farm organization, Farm Bureau represents all phases of agriculture. Our statement will be broad in nature. Special interest and commodity groups are in a better position to comment on their special areas of interest.

It is my pleasure to present testimony not only on the effectiveness of the Food Security Act of 1985, but also more important issue to be considered in the 1990 farm bill.

The Food Security Act of 1985 has been modestly successful in meeting the objects the Farm Bureau supports. Over the past several years, farm income has increased to levels that offer greater stability and optimism than there was in 1985.

However, the higher level of income should not be confused with the fragile state of the agricultural community in Maryland, largely due to escalating land prices due to urban pressures.

The Farm Security Act also helps to regain competitiveness in world markets and increase domestic use of our products. By setting loan rates for program commodities at a percentage of average market price, compounded with a favorable adjustment in the value of the dollar in export programs, we have regained sales in world markets.

Carryover stocks have been reduced by voluntary acreage reduction programs along with aggressive use of commodity certificates. The reduced stocks are less likely to depress the commodity prices.

The principal goals for the 1985 law—income protection, stock reduction, international competitiveness, and a reduction in Farm Program costs—have been accomplished for major commodities to a large extent, but the job is not complete.

With many of the provisions of the 1985 farm bill expiring at the end of 1990, it is important that a new farm bill continue to establish the long-term direction for agriculture. Hopefully, the new farm bill would encompass Farm Bureau's goals of improving net farm income and enhancing economic opportunity by continuing a market-oriented agriculture with supply and demand, rather than Government action.

Currently, Maryland Farm Bureau is working on the 1990 farm bill through our policy development. County farm bureaus will submit proposed national policy for Maryland Farm Bureau's approval, for our delegate body at convention.

Likewise, Maryland will in turn send proposed national policy to the American Farm Bureau convention. At the conclusion of that convention, our final position on the farm bill will be complete.

Some special primary ideas on the farm bill follow.

Program flexibility: Maryland Farm Bureau supports flexibility among program crops, wheat, feed grains, and oil seed. Farmers have been reluctant to plant nonprogram crops in order to protect their acreage base on a program crop.

For example, the current feed grain base has prohibited soybean production because of the benefits of the Feed Grain Program. The market price for soybeans has not been sufficiently high to bid acres out of the feed grain benefits, resulting in the loss of base acreage.

Also, the flexibility should not affect specialty crops. More flexibility would give a producer a better opportunity to rotate crops, which is more environmentally sound and adjusted to current market and supply situations, and would provide easier management due to weather conditions.

Target price realignment: Discussion has been developed of initial target price realigning based on the cost and production. Currently, we would be in favor of realigning target prices in regard to geographic areas.

Although target prices are not in line with production costs the difference in production costs are too great between these geographic areas to attempt to change.

Targeting of benefits: We oppose targeting benefits to small producers or allowing a prorated program based on volume of production. The objectives of a farm program may not be achieved due to large producers not participating which in turn may create an unstable ag economy.

Also, the Farm Program would be fundamentally changed from a production and market-oriented program to a social benefit program which we do not support.

Units of production: Current Farm Program benefits regarding crops are paid to producers ultimately based on acreage. We would not be in favor of changing this to paying benefits based on per bushel or pound production, the reason being No. 1, due to different production costs, No. 2, different yields in different areas, and No. 3, it sends a signal to producers to produce as much per acre which may not be the best proved environmentally.

However, we do support the use of proven yields when they have been established. The farm bill and low input sustainable agriculture, better known as LISA, concerns about possible contamination of ground water and environment by agricultural counsels are currently the driving force that pushes for LISA.

In the late 1960's and early 1970's, the buzzword was integrated pest management, better known as IPM, which was also viewed as a way to minimize cost, risk, liability, and total dependence upon farm chemicals.

Unfortunately, there are a lot of crops for which IPM programs have not yet been developed. Research money and IPM emphasis in the United States today have dried up. Also, higher chemical costs have already driven many farmers to reduce input and optimize chemical use.

We support continued funding for integrative pest management systems. IPM has been a proven technology so far, and not all of IPM's proper uses have been recognized or put into practice.

In the long run, adequate food supplies may not be possible should there be elimination of chemical and fertilizer uses. Although the information created by low-input agricultural research will be useful for the farmer, his bottom line financially will be his deciding factor as to his participation in low-input agriculture.

Ground water and pesticides: The general public has perceived, real and imaginary questions about pesticide use on agricultural crops. These questions and lack of knowledge about pesticides can lead to fear and to antitechnology activism.

Farmers have questions about the proper use of pesticides, the liability they might incur, what to do about proper material handling and the disposal of used pesticide cans, and environmental and safety concerns.

We feel that there is a need for even more research and education on how to prevent ground water contamination. We have the science to know what is there. However, what we need is the best science practice to keep the chemicals needed for production agriculture from reaching the ground water.

In the meantime, farmers should not be penalized or held liable for ground water contamination provided they use the pesticides according to recommendations approved by the EPA.

CRP: Discussion has centered around possible criteria and goal changes to CRP. One question has been whether or not to expand the goal beyond 45 million acres enrolled in the program.

We are opposed to expanding the goal. First, we have not reached the current goal, and to change it would not only be premature but also a budgetary concern.

The expanded cost would compete with funding other USDA programs. Our position is to suggest and maintain the current criterion of CPR as it relates to the 1990 farm bill.

Crop Insurance: This past year, Maryland Farm Bureau participated in the State's task force on crop insurance. The task force reviewed several problems including inadequate coverage in the delivery system.

For crop insurance to be successful in the future, considerations are going to have to be given to disaster aid. In other words, farmers are not going to participate when a disaster program is available. We agree with a statement made by the Commission for the Improvement of the Federal Crop Insurance Program, that producers have an interest in being able to insure their investment at a reasonable cost, provided the insurance product marketed covers the costs of production.

Finally, in the beginning of my testimony, I made a comment that the agricultural community is fragile. In respect to high land prices due to urban pressures, to a farmer, the land is only valuable as long as what is being produced has a value. The 1990 farm bill will certainly set the standards for how valuable our livelihoods are.

Mr. Chairman, I appreciate the opportunity to testify before you today.

Thank you.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, Mr. Wilson.

Mr. Powell.

STATEMENT OF ROYDEN N. POWELL III, PRESIDENT, MARYLAND ASSOCIATION OF SOIL CONSERVATION DISTRICTS

Mr. **Powell**. Mr. Chairman, Congressman Dyson, my name is Royden Powell III, and I am president of the Maryland Association of Soil Conservation Districts.

MASCD represents 120 district supervisors who set policy for 24 soil conservation districts in the State of Maryland. These districts play a very important role in the protection of natural resources, both in rural and urban areas. I would like to thank you for the opportunity to testify before you today on the 1990 farm bill.

Soil conservation districts are very unique in the manner in which they serve the citizens of the United States. District operations involve Federal staff and dollars, as well as State and county staff and dollars, as independent agencies.

District supervisors must establish priorities to ensure that the long-term goals of their districts are carried out. In Maryland, we have a strong commitment from the State and many county governments for soil and water conservation, primarily as a result of the Chesapeake Bay cleanup efforts.

This commitment has meant a great increase in the workload of districts, and this additional workload has been supported only in part by additional dollars.

MASCD has been very supportive of the conservation title of the 1985 farm bill which linked Federal Farm Program eligibility to the protection of soil and water. This is in effect a voluntary incentive program, and we have seen in Maryland that the carrot approach works far better than the stick.

Maryland districts have completed water and soil conservation plans for highly erodible land in the State, and it is anticipated that we will be able to complete the implementation of these plans by 1992.

This is at a time when Maryland has had several State commitments. These include the requirement of a soil and water conservation plan on all farms within the critical area—and that is a State designated area which is 1,000 feet from tidal waters or tidal wetlands.

Second, a desire to have a conservation plan on all farms within priority watershed by the year 1992, and third, a plan on all farms within the State by 1997—an ambitious task indeed.

Many of our districts will also be heavily involved in the State's new wetlands law, and many of our urban counties spend a high percentage of their time approving sediment control plans.

Our districts are already overloaded with this very important work, and it is critical that additions to the current workload which might occur because of language in the 1990 farm bill be assigned additional dollars and staff.

Moreover, the districts rely heavily on the technical expertise of the SCS employees to train State and local employees. Only if USDA continues to be funded at the current level can Maryland soil conservation districts expect to continue to fulfill the requirements of the 1985 farm bill.

Continued funding of the ACP programs within USDA is also critical in getting conservation practices placed on the land.

One of the major success stories of the 1985 farm bill has been the Conservation Reserve Program. The original program did not attract many acres in Maryland, and there were several reasons for this lack of participation, including high land value due to urban development pressure and an uncertainty about long-term agriculture because of poor crop prices and in some areas concern over critical areas legislation.

The limited amount of highly erodible land also limited activity in the program. However, when the program was expanded to include the buffer strips along stream banks, an extremely important issue for this State, participation began to improve.

The big boost to the program began when the Maryland legislature approved $40,000 per year for a piggyback program to provide additional land annual rent payments of $20 per acre for participants in the CRP program.

Maryland once again showed a commitment to soil and water conservation by teaming with the Federal program to protect water quality in the State.

Last year, another $25,000 was allocated by the Department of Natural Resources to provide a one-time payment of $100 per acre for land in the program that is planted in trees.

Up until the eighth signup in CRP, Maryland landowners had signed up just over 11,000 acres. It is our understanding that nearly 6,000 acres were signed up in the ninth signup alone, which closed just this past August.

Most of this acreage was for buffer strips along stream banks.

We are very concerned that the last signup—and that would be the 10th signup, scheduled to occur next year—this signup has not been approved and announced. We are distressed that congressional action has caused this delay, but even more concerned that the program may be cancelled, regardless of its success.

In this latest signup all of the State piggyback and tree planting funds were allocated. MASCD asks that you support continuation of this very successful program so that with the additional support of our State, we can continue to protect our natural resources by removing this sensitive land from production.

We still have more acres that need protecting in this State, and nationally we are only three-quarters of the way toward reaching the original modest goal to protect 45 million acres.

Congress has found a winner in this program. Let us see it continue until the task is complete.

The success of the Conservation Reserve Program does raise a concern for the future of land that has been signed up in the program. This sensitive land could be put back into production if there is not a follow-up program developed to discourage this activity.

We believe that serious consideration should be given to this issue in the next 5 years.

MASCD believes that the Food Security Act of 1985 established some excellent programs to protect soil and water. We would request that no major changes occur in the 1990 farm bill.

Minor changes such as allowing poor quality grassland to be planted in trees and extending the length of the contract on all areas planted in trees to 15 years would improve the program.

The Conservation Compliance Program is working in Maryland, and we see no need to change the program as long as conservation plans are updated to reflect current farm conditions, and that a farmer is not penalized for changing the operation that he has on his farm.

The sodbuster and swampbuster programs had limited effect in Maryland, as swampbuster is overshadowed by Maryland's new wetlands law. We have very little highly erodible land in the State, unlike Midwestern States.

MASCD would like to see emphasis on programs in the 1990 farm bill to protect surfacewater and ground water. Research and education should be a major component of any initiative in this area.

Again, I would like to thank you for the opportunity to speak to you today, and I will be pleased to try to answer any questions you have.

Thank you.

[The prepared statement of Mr. Powell appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Powell. Thank you very much.

I do have a question for my information, and you mentioned it in passing, that the 1985 act had the swampbuster, and then we have the soil conservation, soil and water conservation.

And we have now Federal wetlands, and now you have Maryland wetlands, and then you have vast water areas, either one denomination or the other, throughout Maryland.

How do you put it all together, or do you? Does the State secretary want to help, or the soil conservation?

Mr. POWELL. I will try to offer some explanation.

We are in the process now of drafting the regulations for the wetlands program in the State, and that has been a major concern of the districts as well as landowners. It is a matter of definition that you define the wetlands, and we are primarily concerned with nontitle wetlands on the farm.

It is challenging. Is that helpful?

The CHAIRMAN. So that is still to be done, I guess?

Mr. POWELL. Yes, we are in the process on that.

The CHAIRMAN. I can visualize your land. So you are working soil conservation, maybe you have a little creek running, or you call it a run here in Maryland?

Mr. POWELL. Yes, sir, or a creek.

The CHAIRMAN. So you are working with that. And then you have the highly erodible, or that which would come into swampbuster, as you get more lower levels, and then you may have wetlands or tidal water or—but basically adjacent to your property, and besides putting a blind for goose hunting, how do you put it all together as far as the overseeing of the operation?

Mr. POWELL. I think you have a good handle on the challenges that we are facing.

Basically, there are Federal guidelines which we have to comply with, Fish and Wildlife Service has definitions that define wetlands according to types of vegetation that might occur. If you see a cattail out there, that is a no-no. Then we are not allowed Federal funding or Federal participation in working with or changing those acres.

Certain types of soils, hydric soils that occur on a given farm will affect the amount of participation that we can get from SCS programs or ASCS.

So, basically, there is a hierarchy of rules and regulations which we are dealing with, but the key to the program is that the districts, our local districts, and each district is comprised of five supervisors, and they are local people—it is their job to administer the program, and they are the people who are most familiar with the land in their areas.

So the key to the program has always been the local input and the local direction in applying the programs.

The CHAIRMAN. Mr. Secretary.

Why don't you join us again, because this is in your area, and I would like to hear a little bit more information and see if there are any areas from our vantage point that need to be coordinated.

Mr. CAWLEY. All right.

One of the big problems with the Federal wetlands bill, and we are looking for interpretation—if you go down in the lower shore, they are all hydric soils and so forth, and the law says they can continue to farm that land that is open now and being farmed.

That sounds good, but the way I read the bill, they can never do anything else but farm it, forever and ever and ever. They are losing their rights for any development or anything else, and we cannot stand that.

That just came to our attention in the last week. We have sort of modeled our wetlands bill and taken in the core as far as title in there, that we would follow the Federal regulations and temper it some, but I have sort of got my tail in a wringer by saying we are going to do that, if that is to take place.

Now, we here in Maryland have been working real hard on our nontitle wetlands bill, to protect agriculture. I think we are coming home as best we can. But it moves into the Federal and we here in Maryland insist that the soil conservation districts are the ones that delineate the wetlands, or the ones that oversee what is going to be wetland, and the best management practices.

We are going to lose several of our counties on the shore if it is not corrected. So we work with all the Federal agencies in compliance. The Corps of Engineers is the one that causes us the most problem.

We have the other problem now, when you are talking about wetlands, that we are in the process of generating all this for aquaculture. We are in an ideal situation. We have big companies coming in, and farmers with aquaculture, but where in the hell would you put a pond except in a wetland?

And that is one of our problems. As far as working with the various agencies, we will work that out. But there are some big questions. I will try to answer some. Did I help you at all?

The CHAIRMAN. Yes, this is just for my information, and anything we might have to do coming back.

Now, is your basic Maryland wetlands law above the Federal mandates, or equal to them, or——

Mr. CAWLEY. It has not been passed yet.

The CHAIRMAN. Oh, it has not been passed?

Mr. CAWLEY. That is the battle we are in—I should say in State government. It is a battle. [Laughter.]

That we are trying to work out these things, and last week the State people said they would back off on some of these things that they wanted. So I feel good about that.

You know, with the environmentalists, it is sort of like this average bit they keep giving us. You know, with your feet in the icebox and your head in the oven, on the average you feel fine. But we do not feel too fine about wetlands.

The very terminology of wetland disturbs us, because most of the coastal plain is that type of soil, and if they are going to lock us in forever and ever, how are we going to—what are we going to do with it? They are taking our—in a sense, we have got the critical areas.

First we lost our marshes, no indemnity. Next were the critical areas 1,000 feet back from things—no indemnity. Now it's the wetlands, no indemnity, and we are still paying taxes on that land. So something has to give.

The bill is—we are working and coming closer to a reasonable—and all of us understand wetlands. We are in favor of wetlands. But there has to be some—everything we have said today, all of us, we say that agriculture will do what is necessary. Be fair and reasonable to us, and that is what we are asking.

They are not being reasonable if that farmer cannot build a house for his son or change his way he makes a living.

The CHAIRMAN. Well, sometimes it is a problem. I can sympathize. It is a very delicate area and I wish you well.

I can well understand. In Maryland, they probably have more problems—perhaps somewhat like Louisiana or Florida.

My area of south Texas, the Corps of Engineers says "We have jurisdiction, and you cannot dig a hole here unless you get a permit." The area has been designated as a tidal wetland, and the farmer tells me, "I can't see the water for all the dust blowing." [Laughter.]

Mr. CAWLEY. We know the feeling here in Maryland, and we are doing the best we can.

Sometimes I take a lot of heat from my colleagues in back of me, but we are doing the best that we can.

The CHAIRMAN. Well, I am with you. And we will do what we can, if there are areas where we can cooperate or work with you.

That is a very sensitive area, and I know that all of us want to preserve for posterity, for our grandchildren, and we want to do what is reasonable, and that is the area that if you polarize it, the polarization generates only heat and never any light.

Well, we need light.

It can be done, and the farmers will do it.

On my way to California—I may strike this from the record later, I do not know that it is important to the record. [Laughter.]

On my way to California Friday, to Fresno, the United flight had a movie, and it was called—what is it, "Field of Dreams." And this young Iowa farmer went and plowed all his corn in and built a baseball field, because he had a problem. His father had been a baseball player, and he had tried being a baseball player, and his heroes who he thought had been maligned were in the Chicago 1919 World Series, and Shoeless Joe Jackson was his hero.

So he went and plowed his corn against the advice of his wife and all his friends and neighbors and relatives, and built a baseball field. I'll be darned if Shoeless Joe Jackson didn't come back from the dead to play baseball on this field. [Laughter.]

And then the whole team came, to play on his field. And then even his father came back to play on his team, and then everything went well at the end.

I said, "Well, if an Iowa farmer can do that, farmers can do anything." [Laughter.]

It is kind of a crazy but very, very entertaining movie. I mean, it really grips you. "Field of Dreams," I am not promoting it or anything like that. [Laughter.]

My only comment is if that young farmer could do that, we can do anything.

Mr. CAWLEY. Congressman Dyson, I would be remiss if I did not ask you to insist that the chairman tell about that dog Chiko.

The CHAIRMAN. I will do that at the end where we are off the record.

Mr. DYSON. Wayne, you have brought that up three times, and there must be some reason why he doesn't want to tell that dog story.

The CHAIRMAN. I will tell it at the end.

Thank you very much. You have been most helpful.

The next panel, we have Mr. Hank Spies, Steve Walter, and Paul Phillips.

We thank you for being here.

Mr. Spies has been before one of our subcommittees before, and we welcome you again to this meeting, and we will be very happy to hear from you at this time.

STATEMENT OF HANK A. SPIES, FARMER, CORDOVA, MD

Mr. SPIES. Good morning to you. I am Hank Spies, a soybean farmer from Cordova, Maryland, where I have farmed for a decade.

I am past president of the Mid-Atlantic Soybean Association, and active in the American Soybean Association.

Soybean farmers on the Eastern Shore very much appreciate that the chairman and other distinguished members of the committee have come today to our part of the country to listen to farmers' concerns and challenges.

The decisions that you make greatly affect our farming future. Congressman Dyson serves on the House Soybean and Feed Grains Subcommittee, and is active leader for soybeans in Washington. We appreciate his understanding on farm issues and respect his leadership.

Today I come before you to discuss crop insurance. Some of this may be duplicative of what you heard before. Mr. Wilson said some things about it.

Crop insurance is very important for soybean farmers in Maryland and across the country. It is an important risk management tool. Unfortunately, many farmers do not participate in crop insurance because the cost outweighs the benefits. It is time that the Crop Insurance Program be revamped with its best features retained and improvements made where needed. A sound Crop Insurance Program would encourage voluntary participation and is highly desirable.

I strongly oppose requiring farmers to purchase crop insurance as a condition of eligibility for Farm Program benefits. Congress realized the problems facing our crop insurance when they created the National Commission for the Improvement of the Federal Crop Insurance program.

The Commission report offered recommendations that merit serious consideration. Before I discuss several of the Commission's recommendations, I want to stress an important point which is not in the report.

Full and double cropped soybeans should be considered as a separate crop, since they have different risk levels and involve different farm practices. Farmers should be able to purchase separate policies for full and double crop soybeans, even on the same farm.

They should not have to purchase coverage on both.

ASCS yields: The report recommends that ASCS yields be updated for crop insurance purposes to actually reflect the actual production. Now, it is confusing to have different FCIC and ASCS yields. Soybean farmers support legislation in Congress to require ASCS to accept actual yield if the producer was to report that.

It is important that if ASCS is directed to update program yields for crop insurance purposes that they also be required to gather actual soybean yield, also at the discretion of the producer.

Coverage based on actual yield will help to increase greater participation in the program.

Voluntary yield plan: The Commission recommends offering farmers a choice of different yield plans. Since soybeans are not considered a program crop, a soybean farmer could choose to use actual yields as reported to ASCS, or participate in an optional modified APH Program based on 5 or 10 years of certified yield history.

This is a good recommendation since it gives farmers a choice, does not penalize farmers who do not have history certified yields, and allows farmers to utilize more realistic yields.

Importantly, this provision should help attract participants in high-yielding, low-risk farms.

Price election levels: The report proposes sound ideas on ways to determine the maximum price level. I like the idea of giving farmers the choice of determining which method.

For example, some may like the future base price, election level, others prefer the level based on variable production costs. If variable production cost is used, please consider the adjustment of costs to the country, State, or regional base.

Farm unit definition: Soybean farmers today are very concerned about their inability to insure individual farm units separate for the same commodity. The Commission recommends that a premium rate policy be applied to the entire farm, including divisions of units, and then permit a rate reduction per unit consolidation.

For soybeans, it should be considered that there is a need for unit division when full and double cropped soybeans are grown on the same farm. This is not specially addressed in the recommendations.

Units should also be designated in units smaller than the ASCS serial number to accommodate cash renting.

There should be a preventive planning in there. It is important to have meaningful preventive planning policy for soybeans, include excessive moisture—farmers should have the option of buying a separate policy for prevented farming.

I am very pleased with the final report the Commission has put out, and I am pleased that Congress has pursued this issue. I thank you for the opportunity to testify today before you, and I welcome any questions.

[The prepared statement of Mr. Spies appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, Mr. Spies.

We appreciate your testimony.

Mr. Walter.

STATEMENT OF STEVEN H. WALTER, FARMER, HUGHESVILLE, MD

Mr. **Walter**. Good morning, gentlemen.

My name is Steven Walter, and I am a tobacco farmer and grain and vegetable farmer from Charles County, Maryland.

I am going to give you a brief overview of our industry in Maryland, and then I will tell you my concerns.

Tobacco has been a major cash crop for farmers in southern Maryland since Colonial times. This crop has played an important role in the development of a strong economy as well as a longstanding tradition with many family farms throughout southern Maryland.

Our forefathers raised this crop and learned the many cultural practices that are needed as agriculturalists today. We still use their techniques along with today's technologies to increase production.

Actually, our technology has not increased that much—we are still doing it basically the same way we did 300 years ago. But that is the way it is. [Laughter.]

In the past 8 years, tobacco production has declined from 25 million pounds in 1980 to 11 million pounds in 1988. Many factors have contributed to this decline, such as implementation of antismoking regulations in public facilities, low market prices, increased value of agricultural land for development, dwindling labor supply, cheaper supply of tobacco from foreign countries, and the ratio of young farmers to older farmers is declining, and the large capital investment to get an operation started.

Farmers have taken the time to reevaluate their operation and made steps toward extensively diversifying their operations with some of the alternative forms of agriculture. Such areas include vegetable production, aquaculture, livestock, cut flower production, nursery operations, hay, straw, and pick your own vegetables.

These alternative forms of agriculture allow farmers to supplement their income and continue farming.

There is a need for better marketing of Maryland tobacco in the foreign market. These countries include Taiwan, Asia, Korea, and they have shown considerable interest.

Another area for research and testing is the use of tobacco in medically proven products. Mr. Robert L. Erwin of the Biosource Genetics Corporation in Vacaville, California has also been doing extensive work in this area, and feels this would be a plus to the tobacco industry if found successful.

In conclusion, tobacco will continue to be grown by southern Maryland farmers until they feel it is no longer feasible.

One thing I will say as a representative of tobacco, I guess, in a way, is that we do not participate in any of the quota system and support prices that other tobacco does in the country. Type 32, I think, is the only one that does not.

If you need any questions about that, I think you would have to talk to my colleagues down South. They would answer the questions on that better than I could.

I would also like to say, our concerns are the same as expressed by all—the environmental concerns, such as the use of pesticides and water contamination. We are very concerned about that, and quite frankly, we lose a lot of our pesticides and herbicides and things, it is going to spell our demise. It will of farmers in general.

We do not want to use too many chemicals more than we have to, but it is a source of concern.

Also, labor is a major concern of ours.

Thank you very much for your time.

[The prepared statement of Mr. Walter appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, Mr. Walter.

Mr. Phillips.

STATEMENT OF PAUL L. PHILLIPS, FARMER, WOOLFORD, MD

Mr. PHILLIPS. Good morning.

My name is Paul Phillips. I am just a plain dirt farmer.

You have a copy of my testimony, and I will make a few comments on that, rather than reading it.

We appreciate you visiting our area. We are making history, and in the area served by this district, by Congressman Dyson, we have a wide variety of crops, so he has to be informed on a wide variety.

I grow the general crops in this area. Now, all the farmers participating in farm programs directly receive a check, and those farmers that do not participate receive indirect benefits from your Farm Program, because it keeps land out of production. Also, farmers benefit indirectly from the food stamps and the school lunch and that sort of thing.

There is one thing that really concerns me—I will soon be 72—that is the young farmers who are starting to farm. You as members and as a committee can see the problems that you may have when you are trying to get agricultural funds to compete with all of the other nonfarm funds from the congressional budget.

I imagine this is getting a little harder all the time. We would appreciate it if when you scan the horizon, and you see trouble coming, 4, 5, or 6 years down the road, please give the farmers some warning so that they can arrange their financial planning to fit that problem.

We are all looking for, and you are looking for, some farm programs to benefit rural America that do not cost very much money. Here is one:

When the REA came to the countryside, it brought electricity. And then the telephone co-ops were added. Now it is time to move the REA forward into cable television, so that the people that live far away from a local TV station will have some better facilities to receive TV.

I do not believe that there is an elected official all the way up to the Oval Office who has any objections, when they are on the evening news, for all of their constituents to have the facilities to see them.

I am sure that Roy would not object to that, and I am sure you, Mr. Chairman, would not object.

Mr. Dyson. That depends on what they are filming. [Laughter.]

Mr. Phillips. That is right. Election time, it may be the other side. Probably you would cut them off.

Let us talk about education in rural America.

These are the people I have made my money on in the past. I have been farming all my life, but from time to time, I have had to be involved in some other activities that were a little more profitable, so I would have money to farm.

You probably think that Dr. Hytche and Dr. Oliver and I cooked this up, but I can assure you that I have not talked to either one of them for at least a couple of months. I am on the 4-H foundation, so Dr. Oliver and I, we sit down and talk about that every 4 months, and Dr. Hytche, I see him from time to time. The last time I talked to him was about a 4-H agent. That was about 3 months ago.

At the end of World War II, and this is a good benchmark of time, we had a revolution in education beyond high school. Before World War II, when a student graduated from high school, they would pack a trunk and go to college and live in a dorm or sorority or fraternity.

Now, most of the college students sleep at home in their own bed. There are many part-time students. There are great advantages for a student being part-time. They are trying to get a better education so that they can get a promotion where they work, or to make them better equipped to work for another employer.

We need to have more satellite facilities for education in rural America. Now, how far should a person travel?

From where we are sitting here, going to Salisbury University would be over 100 miles round trip, and we have many, many people that are doing that.

I would like to see this: When the funds are shipped out of Washington to our land-grant colleges, that a couple of strings be put on them—ask them about some satellite facilities.

Why am I so interested in this improvement? I started to college in 1937, and I graduated in 1979—42 years later. If we had had better satellite facilities, I could have graduated in 10 or 12 years.

Now, 10 or 12 years sounds like a long time, but it is a reasonable figure for a person trying to get a college education going part time.

Also, in the 1890 program, we have an example here in Maryland. Our black land-grant college is located in the middle of the poultry industry, and I am sure there are other such examples in other States.

And they are located probably in the heartland of some other commodities. I would like to see some special funding going to these colleges so that they can work with and promote and help special commodity farmers such as we have here in the poultry industry.

Now, I would be amiss if I did not mention rural transportation. I worked for USDA for 5 years, 3 of it I was detailed back here on the Delmarva Peninsula and had the staff responsibility of putting Conrail together for Maryland, Delaware, and Virginia.

We have a number of branch lines all over the country. I had to make myself acquainted with the railroad conditions all over the country to deal with this one. You have a number of branch lines that in the spring they push out fertilizer cars. Fertilizer is a heavy commodity, and it comes from certain places, most travels by railroad.

They push railroad cars out, hopper cars with fertilizer, and then in the fall, they push those cars back loaded with grain.

I would like to see some hearings, some special attention given to these rural railroads that serve the farmers so well.

I think that is about all I have to say. My written testimony is on file.

[The prepared statement of Mr. Phillips appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Phillips.

We appreciate your testimony, and we thank all of you.

Let me say that you struck a chord on something that I have been working on for so long, Mr. Phillips, that maybe that Iowa farmer brought you here today. [Laughter.]

I am from south Texas, and we had problems on education. There is a court suit that is still pending that south Texas geographically had not been given the level of educational opportunity by the State institutions.

In Texas, we have a higher and lesser education trust fund, from all of the lands that Texas got from Mexico, and Mexico from Spain.

Some people got tired of listening to me, and I was asked, well, how far do you want a university away from your hometown?

I said, it is not that I want a university. I just want educational opportunity at some level, and my quote then was, "It should be no further than where a youngster could sleep at home at night."

That was my test. It is about what you told us here today, and this is something that is very important.

A week ago Friday evening, the University of Texas chancellor and president of the Austin campus came to Edinburgh, Texas, Pan American University, a little university that was established there in 1927, and made it Texas University Pan American, so that now our little satellite college has the umbrella of the University of Texas, and this is one of the areas that I have been working very, very hard on.

You have made my day in that regard.

You mentioned also the revolution after World War II, and one of the reasons for that was the GI bill, and sitting before you is a product of the GI bill.

I knew that I was going to go to college, and my family knew that I was going to go to college, but I do not know if I would have been able to do it without the GI bill.

What helped was the junior college that later became Pan American University, that now is the University of Texas—but beyond that, when you have to go off to San Antonio or Austin—closest college to us beyond the junior college was San Antonio—there you have to pay for housing and all of the other things.

Had it not been for the GI bill, I would not have been able to make it.

So now we have done a much better job, that Brownsville has an institution, Edinburgh has, Laredo has, Kingsville has, Beaville has, Del Rio has.

You have a link throughout south Texas where no youngster who was interested has to stay and sleep the night if he prefers to stay at home. And this is enhancing our availability of education in the area.

I thank you for that.

Mr. PHILLIPS. Thank you.

We have a very good cooperation here between our 1890's institutions and the University of Maryland. I want to add that.

And they have transferred some of the programs there. But we need more funds to the 1890 institutions.

The CHAIRMAN. I agree with that.

I have been working with the 1890's forever, and we were able to get a special program, a few more funds.

I mentioned to the doctor this morning that I used to travel and try to visit all of them. Now it is much more difficult, but it is a worthwhile endeavor, and we owe it to them. I will continue doing what we can.

You mentioned—it is very interesting, but basically they try and accommodate to the needs of the area here, poultry. Prairieview in Texas, the commodities are the crops in the area, and in Alabama, same way. Tuskeegee, which is an adjunct also.

We are working in that respect. Funding is very difficult, and I guess I will just keep you there. Let me say a few words.

One thing that I did want to mention was that funding has been going the other way with the Gramm-Rudman and the balanced budget, and we in agriculture, we have been very responsible.

Our agreement with the Budget Committee was, you tell us how much we need to cut, and let us do the cutting, and we will give it to you. We reduced about $30 billion in the past 8 or 9 years. You may not have noticed it as much, because we have done it with a scalpel, not a meat axe approach.

But in relation to the other programs, just the normal inflation growth, if you keep them at zero budget and allow only normal inflation, all the other Departments are way ahead of us, because of where we started.

We started here, and they were here. And so even if you allow for inflation, we will never catch up with them. So in fact, what has been happening is that all the other programs are going up, while agriculture has been coming down.

I get so frustrated—a friend mentioned this morning. I got so frustrated with the New York Times, the Wall Street Journal, the high cost of the farm programs, and this farmer got $1 million and that other farmer got $1 million.

Well, they would not listen to me. I could not get it across, and I mentioned to someone, I said, "Probably the only way they will listen to me is if I get up on top of the Capitol dome and climb on top of that statue and take my clothes off. Maybe the cameras will come. Maybe not even then, with my physique." [Laughter.]

But I told our economics man on the committee, I said, "Chips, I am not getting this across. Could we make a chart or a graph of some kind?"

He says, "Yes."

So I said, "Look, put red, total budget, and then blue, what we spend for support programs."

OK. He came back about a couple of days later, and said, "It will not work, Boss."

I said, "Why not? Red, total budget, blue, what we spend."

He said, "It won't work."

And then I said, "Why?"

He said, "Let me show you." Here it is. Do you see that little line at the bottom? That is—right here, this little block at the bottom? That is what we spend for support programs.

It is 1 percent of the $1 trillion budget. They stole more money than that during the lunch hour at HUD. [Laughter.]

That is it. I do not know if you in the back can see that, but that is all we spend.

If you abolish the Department of Agriculture, just shut her down, say no more Department of Agriculture, everything, Soil Conservation, WIC Program, Food Stamps Program, just tell the Secretary to shut it down and go home, same thing.

The green is the $1 trillion budget, and what you see at the bottom, that is all of the Department of Agriculture. We just shut her down, and you would have reduced the total budget by about 4 percent—probably less, now.

And as far as the other Departments—not that I am complaining about it, but I am for strong defense and all of the others—but again, here you begin with Defense, and Veterans and Health and Medicare.

They have already spent 96 percent of the budget before they get to Agriculture. They have already spent 96 percent. And yet, we are the best-fed people in the history of the world for the least amount of disposable income per family of any of the major industrialized countries in the world, for that little tiny line that you cannot even see.

So now, when someone says, "What about subsidizing the farmers?" Hey, if there is any subsidy, it is to the American consumer. He is being subsidized by the American farmer, that is where the subsidy is, if there is any subsidy.

One of our farmers now feeds about 100 people, and unfortunately, the numbers are coming down on the farmer, but the numbers on how many they feed is going up the other way.

We export—the only thing bringing money back from abroad is agriculture, except a little high tech. But you hear every quarter, our balance of payments out of kilter. You hear every month, the only thing bringing money back from abroad is agriculture, and even that started coming down.

That is why we have to protect our share in the world market, and that is why we have the EEP and the other programs, because other countries were taking advantage.

We are the most open country in the world, as far as trade is. Anybody can come and sell anything they want in this country, with very few exceptions.

Yet every other country in the world was trying to restrict what we have—we have to fight with the Community and we have to—even some of the developing countries that we are trying to help have restrictions.

Goodness knows Japan and Taiwan and Korea, they send major amounts of their products. They buy some of our agriculture, but there is always against the grain that we are having to fight with them.

I just went to the Soviet Union. They are interested in buying more from us. They want to develop their own agriculture. I have no problem with that.

They are way behind where we are. I might mention, we had a so-called press conference, and I mentioned things that Roy Dyson and I have to suffer with.

If you are in public office, you are supposed to be correct all the time, or else they question your background, your education, maybe even your ancestry, if you make a little mistake.

So I said, I wonder how in the Soviet Union, they put a man on the Moon and yet they cannot milk their cows?

Well, promptly I got a letter to the editor questioning my educational capabilities because the Soviets have not put a man on the Moon. They only send them to outer space. So I should have said how could they send someone to outer space.

But I said the Moon. It sounded the easiest thing to say. But they have not. And right away they correct us. But that is basically the fact, though.

Our most powerful adversary, philosophically, politically, militarily, is coming to us wanting to buy food. That tells you something about our farmers and about our agriculture, and I said, "Sell it to them. By golly, if they can invest their dollars in buying food from us, rather than making more missiles, and more ships and guns and tanks, I think we will be a whole lot better off."

They said, well, you are crazy. You want to sell to the communists. I said, well, if they want to buy from us, and they pay dollars, we will sell them. We will sell them your soybeans, we will sell them your corn, we will sell them your wheat, embryos, cows, whatever they want to buy, we will sell it to them.

I would rather they buy it from us and not from someone else, and that they buy with their dollars something that will help their people rather than another missile in a silo.

And basically, I want to thank all of you for being here. Your testimony has been very good. We will review and provide to the appropriate subcommittees where all of your suggestions fit. I think your testimony has been very helpful.

This was one of the best meetings I have attended, as far as substantive input, what we need to look at and what we need to work with. You have been very good, and I appreciate that.

Let me just mention in closing that—I will tell the story later off the record.

But this is my submarine story. I joined the Navy when I was 17. And as soon as I joined, the war ended, so they wanted to bring everyone back. So I never got on board a ship.

When I came to the Congress, they have these liaison people from each service. When the Navy fellow came to see me, very bright, personable looking young lieutenant, saluted me, and he said, "I see you are an old sailor."

He had seen that I had been in the Navy.

I said, "You bet." [Laughter.]

He said, "What was your ship?"

I said, "Well, Great Lakes, Illinois."

I went to San Diego, California, Great Lakes, Illinois, Bainbridge, Maryland, Camp Wallace, Texas. That is my Navy career.

And in the middle of the winter in Chicago and Maryland—and for a south Texas boy, that is pretty tough. [Laughter.]

But when he was leaving, he asks me, "Anything I can do for you—anything, anything."

I said, "How about getting me aboard a ship?"

"Sure, what kind?"

I said, "Shoot the works. Get me on the biggest carrier you have."

And he did. Before I knew it, we had an opportunity to go on a carrier, and the thrill of a lifetime, once in a lifetime.

I have been on a couple since, but then, I wanted to go on a cruiser and a battleship, and I worked my way down the line.

Eventually, about 5 or 6 years now, I guess, I said, "I want to go on a submarine, a nuclear powered, nuclear armed."

He says, "Well, let me look into that." He came back and said, "I don't know, you have to be cleared for secret." Well, Members of Congress do not have to be cleared for secret. Some of us leak now and then, but we do not have to be cleared for secret.

But I had. When I was in the Army during the Korean War, I served as a general's aide for a while. For that, you have to be cleared for secret, so I was.

So he says, "Well, let me take a further look at it." Then he came back. He said, "I think I've got it worked out, but you may have to lose a few pounds."

I said, "These people don't want me on the submarine." Well, no, that tiny hole—you should see how tiny that hole is, to get in and out of that submarine. Ain't no fat guys on submarines. [Laughter.]

Let me tell you. Roy. You and I would not make it. [Laughter.]

So I went and lost a few pounds, and off I went. Mayport, Florida—it is one of the older generations, the *Cincinnati.* But it was nuclear powered and nuclear armed.

Again, once in a lifetime, thrill of a lifetime. Those of you that fly, you fly a submarine like an airplane. It has dual controls, down it goes down, up it goes up, and it was beautiful, a beautiful experience for me.

We have done everything, we had seen everything, and coming back about dusk to Mayport, Florida, and the commander and I were at the conning tower on top. There was not even a ripple on the water, and you could see the Sun setting behind the palm trees, and it looked like my south Texas home. It was a very peaceful, beautiful scene.

So I mentioned that. I said, "Boy, what a beautiful way to end the day. It is such a peaceful setting, the Sun setting behind the palm trees, not a ripple in the water, you can just hear the hum of that submarine."

And he says, "Yes, but to think of it that we have enough megatonnage in the belly of this thing to destroy the world."

Well, that unnerved me a little bit, to say the least. But it triggered the next question that I had.

So I said, "Oh, by the way, I have another question."

And he said, "Yes?"

And I said, "How long can you keep this thing underwater without surfacing?"

And he said, "Well, that is a military secret."

I said, "Oh, come on."

"Well, let me tell you why it is important. The deterrent is power megatonnage, rightly or wrongly. The other side, every minute of the day, they know where our troops are, every minute of the day.

"Every minute of the day, they know where our ships are, in harbor or out at sea. Every minute of the day, they know where our planes are, on the ground or in the air, every minute of the day.

"Every minute of the day, they know where our silos are, where our missiles are. Every minute of the day. They know where our satellites are, every minute of the day.

"The only thing they don't know is where is that submarine. So that is what has been preserving détente, and that is what has been preserving the peace and security of the world."

So when he said "Take a guess," I am thinking of the component for propelling the submarine, so I said, somewhere I remember 14 years long, zero bottom—I said 7 years.

He said "No. I can keep this submarine under water as long as I have food for my crew. That is the deterrent."

So who has been keeping the peace and security of the world? The freedom of the people in the world? The liberty of the people of the world? The farmers of America are, Mr. Phillips—you and the rest of the farmers. That is what is keeping the peace and security of the world.

And yet we do it for this tiny little line that you cannot even see. The rest is done by people like Mr. Phillips, that work so that they can stay farming.

They have a saying in south Texas, an old Spanish saying, that if you go on the land and you do not feel the vibration, forget it. It is not going to grow for you, you are not a farmer.

It is that vibration that someone gets when he goes on the land, or in whatever area of the agribusiness sector. If it does not click inside, it is not going to work.

And this is what has kept us the most powerful Nation in the world, from the beginning: That we have been able to feed ourselves.

Oh, there are some who fall through the cracks. We have hunger in America, unfortunately, but it has never been the fault of the farmer.

We feed everyone that we are able to, and still sell abroad. It never has been the fault of the farmer. Something else went wrong.

Every other country, sometimes that is what makes it so difficult for us to negotiate with Japan or with the European Community. They tell us, "You have never known hunger in your country, and we are not going to let it happen again. We are concerned."

That is why the Japanese obsession with rice. That is what the European Community obsession with keeping the small farmer on the land. Would we that we could have that commitment here, in this country.

So that is one of the things we are working with, we need to keep our farmers on the land, because that is the bounty that we have.

Everything else, we are the most powerful, we are the healthiest.

You know, when you talk about food safety and the Alar scare and the grapes and so on, we must be doing something right, because our life expectancy keeps increasing, and a major factor of life expectancy is diet.

So when you hear the people talk about the Alar, many times the media—and I am not complaining about the media, but the overall perception that at times becomes reality—this is the perception of the people from the Alar scare.

My granddaughter Jenny came home from school, Catholic school in Austin, Texas, and said, "Mommy, we are not supposed to eat apples. Sister says they have all got poison."

Well, how is mama going to tell her that the Sister is wrong? So the perception of someone in ignorance, even though it may be well-intentioned, became reality to that child, and the nice part about it is that "Sister said we have to write to our Congressman."

So my daughter says, "Well, you write to Congressman Pickle." That is their Congressman in Austin.

She says, "No, I think I had better write to Pa." [Laughter.]

So then I explained to her.

Another area—and this is something that all you farmers, farm organizations, Mr. Secretary—all of us have to work at.

Like what happened in New York with the grapes, two grapes were injected with cyanide—two grapes—by a person or persons unknown. It was a criminal act, or terrorist act, whichever.

The media has yet to articulate the fact that it was not part of the food chain. People think that something went wrong within agriculture, within our distribution system, and it did not have a dang thing to do with agriculture. It was an outside criminal act. It had nothing to do with the food chain, but that has not yet been articulated or presented. It probably never will, because it is off the front pages. It was not part of what we do in agriculture, but they assumed that it was part of the pesticide or the chemical or what the farmer applies or whatever. It had nothing to do with that. It was a criminal act of a person or persons unknown, and we have to contend with that.

But our food is the safest food in the world, in spite of now and then you have a problem here and there. We are going to be working with food safety. We are going to be working with FIFRA from both ends. We are going to make, hopefully, some definition of organic, as I mentioned earlier.

I talked to this lady with the garlic. She said, "My garlic is 100 percent organic." But she used commercial fertilizer. So in her mind, that was OK.

If people want organic, we will give them organic. The farmer can grow it any way the consumer wants. But we need to make some definition of what organic is, and then balance it, so that we are able to give them what they want.

But right now, we are the best fed people with the best quality food. The American housewife or homemaker can get anything she wants, any time and any way she wants it.

If she wants to buy half a cow, she can buy it. If she wants, she can buy chicken live, frozen, or fresh, and the same with fish.

You run out of names to identify the fish at the counter, and she can have it that way, she can have it canned, she can have it dried, she can have it cooked, she can have it in the bag that she can just drop in hot water, she can put it in the microwave.

I mean, the American consumer can have any item of food any way or any combination they want, and this is all helping the diet and the nutrition and life expectancy is getting higher and higher. So we are doing something right, I hope.

I thank all of you for being here. Congressman Dyson, for inviting us—again, I wish we had more members of the committee here, but many are flying to cover other hearings.

But the testimony will be distributed to the subcommittees, and I am going to try and get around and see some of your countryside for the rest of the day before we go back to Washington.

So, to all of you who have participated and attended, we appreciate it very much.

Do you have a final word, Mr. Dyson.

Mr. Dyson. Just a word or two, Mr. Chairman.

Mr. Chairman, I am glad you came here to visit us, and I know this audience is very much appreciative of that.

It is a critical time. You have yet to produce a farm bill for the committee to look at, so these people have had an opportunity to get your ear long before you have made some of those decisions.

Mr. Chairman, I would be making a grievous error if I did not take the opportunity to lobby you a little bit on behalf of some of these people.

They have all made some good suggestions today, and I know that probably for you and for Texas, the beef industry is one that has a tremendous impact on you.

But for us, it is chickens and the broiler industry that have a tremendous impact here.

As Bill said earlier, the per capita consumption of poultry now rivals beef. I think there is only 2 percent difference, yet in the USDA's funding for research into poultry, there is a 40-percent difference, and we quite frankly think that is very unfair.

You have helped us to equalize that a little bit more this year, but we have problems like avian influenza, Newcastle disease, mycoplasma, things that can wipe out an entire flock.

We really think we need a little bit better parity with the USDA at least in those areas.

My good friend out front here, Hank Spies, whom you made some comments about his weight condition, has made appearances before our committee.

In promoting a thing called soybean checkoff—as you know, the full committee is due to mark that up fairly shortly. They have just come up with—the association has—a new logo, and I would like to present this to you.

He is wearing one on his lapel, and I would like to show this to the room. This is the gold that grows. It is probably one of the most versatile beans that we have.

It is very high in protein, very low in cholesterol. We have in this country been losing our market share. Milton Malkus brought this up. We have been losing it to South America, primarily to Brazil and Argentina.

In fact, we have lost 20 percent in the last half generation, and they have picked that up. So what our committee is attempting to do is to get this checkoff so that we can start promoting it in our country.

Pretty soon, you are going to be able to see on products all across this country this little logo, so that you will know that you are buying soy products, which again, as I said, is very high in protein, very low in cholesterol.

It comes from here. In fact, last year, Mr. Chairman, even in the midst of our drought, soybeans were our No. 1 cash crop here in Maryland. I do not know whether that is going to happen this year, but that was true last year.

So, they are very important to our economy.

Again, thank you very much for coming. I particularly liked your comments about defense. I am sure the Secretary of Defense very much believes that those submarines run on something other than food.

I am going to take that part of the record, which I hope the court reported is not going to cut out, and send that over to him and let him know that the farmers really run that Navy, and not the admirals.

Thank you again for coming.

The **Chairman**. Thank you very much.

Mr. **Dyson**. We have really enjoyed your presence here and for being a part of our community.

As I said to you before, I do not know of any sector of our economy where you get more productivity than you get from the farmers in this room, and I am very proud to represent them. I am very glad that they all showed up today to make their presentations.

We have some really interesting characters out here, and I hope you will take 1 minute to see some of them before you leave.

The **Chairman**. We will do that.

Thank you very much.

Let me say that in our visit in the Soviet Union, the first one that we visited—I had prepared a few words in Russian to thank them for having us, and so on.

But in a commercial secretariat, I could understand all his Russian because every other word was soya, soya. So I just kept saying, yes, we have got it, we will sell it. [Laughter.]

We have—the chicken—let me tell you. I do not want to correct you, but I am a little provincial in the poultry, because Nixon, Texas, that is in my district, is the chickenest-shippingest town in Texas.

Their annual fiesta is called "Featherfest," and they have their own big chicken that comes out.

Well, I know you recognize the name of a person in this area with a long nose, but in my area, the name is Beau Pilgrim, from Texas. So I am a little provincial on the chicken, also. Do not worry about that, and we will work as best we can.

So, we thank you all, and the hearing is adjourned.

[Whereupon, at 11:53 a.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Remarks by: Wayne A. Cawley, Jr.

U.S. House Agriculture Committee: 1990 Farm Bill

Monday, September 18, 1989

Good morning. Chairman De la Garza and distinguished members of the House Agriculture Committee, I would like to welcome you to the Eastern Shore of Maryland. I am a farmer as well as Maryland's Secretary of Agriculture. I have a grain farm here on the Eastern Shore in Denton, MD.

It's a real pleasure to see you again, Mr. Chairman, so soon after our meeting last week at the National Association of State Departments of Agriculture's conference in Atlantic City. We really appreciate your strong interest in the important work of NASDA. Your efforts and those of this committee to help keep American agriculture strong and healthy in the face of domestic and international challenges that confront us do not go unnoticed by the farm community. In fact, we look to this committee, and you, Mr. Chairman, to lead the way in setting the national agenda.

Agriculture is the largest industry in Maryland, as it is in our nation. Maryland agricultural products are not only prized by our residents, but also by people nation-wide who buy our produce, livestock, dairy products and seafood. Maryland has approximately 16,000 farms with a variety of commodities produced including: broilers, milk, eggs, grain, meat, vegetables, fruit, and tobacco.

In Maryland, we feel "Food Security" begins with measures to retain agricultural production, and enhance it, so that it remains in our state as a resource for the future.

We have made major commitments, using state funds, along these lines through our Agricultural Land Preservation program. Under our preservation program we have protected 171,511 acres of farmland in preservation district creation, and permanently preserved some 80,599 acres of farmland in easement purchases. Under our preservation program, farmers voluntarily create preservation districts with their property.

After 5 years, farmers may then make application to the state to sell their development rights. The easement purchase price is determined by the difference of the lands agricultural value and its development value.

Our Agricultural Water Quality Cost-Share Program, has helped implement more than 4,000 best management practices to conserve the soil and protect our water resources. These BMP's include animal waste structures, spring development projects, filter strips and critical area plantings. Also, we are involved in many other initiatives aimed at protecting the food producing capability of the Chesapeake Bay, the nation's largest estuary

In my opinion, the 1985 Food Security Act has worked relatively well. It served its purposes and helped to restore the confidence of our farming community. However, for the 1990 Farm Bill I respectfully suggest the following modifications.

Commodity programs:

Under the commodity support program, set aside provisions, I recommend that a general crop land set aside replace commodity specific acreage reduction. This will allow farmers to make the decision of what crop to plant within an overall acreage constraint. This flexibility should decrease conflict of cross commodity program impacts and allow farmers to make decisions based on market conditions.

Dairy Program:

The current purchase based price support program should continue to be the basis for providing necessary stability to the dairy industry. Price supports should be adjusted only as necessary to reflect the overall supply-demand balance in the dairy industry. The price support should act as a safety net for producers not an incentive for over production.

Non-Point Source Water Pollution:

Another area of concern to farmers and "environmentalists" is non-point source pollution of surface water or ground water by agricultural chemicals. Although a distinction needs to be made between low-level contamination within established tolerance and harmful levels of pollution, many groups are interested in having Congress issue strict regulations of agrichemical use or, farming operations, to preclude any contamination in water sources.

The Congress, and USDA, must take the initiative to expand existing programs, and to develop new ones, that help agriculture in dealing with water pollution concerns. The states in the Chesapeake Bay region are conducting monitoring programs to assess actual levels of agriculture chemicals in water sources, and are developing management programs to deal with specific problems.

We support the inclusion of a proactive role for the Soil Conservation Service in dealing with groundwater protection. Since the scope of agricultural sources of groundwater pollution is unknown, USDA-SCS should be given the mission to explore potential sources and appropriate control methodologies to treat those sources. The initial programs should focus on educational outreach, demonstration projects and incentive programs.

Low Input Agriculture

There has been increasing emphasis placed on the so-called "low-input" farming. USDA has increased funds for research and extension efforts relating to the reduced use of inorganic fertilizers and pesticides, and to changes in tillage or farming practices in crop production. Much additional research by USDA or federal agencies is needed before farmers will be able to adopt with confidence the low-input techniques while maintaining or increasing the efficiency of growing agricultural crops. I encourage Congress to provide additional funds for federal research efforts in this area.

Food Quality and Safety

The issue of food quality and food safety are important to consumers as well as to farmers. I feel that the U.S. food supply is the safest, most wholesome, and most available in the world today. However, I feel that we can improve. During the last two years, several instances of food contamination by natural or man-made chemicals have increased public concerns about the safety and quality of our food. Although these incidents were distorted by the media, the perception of unsafe food still exists in the minds of many consumers.

The Congress must ensure that federal agencies are carrying out their responsibilities for assuring the public of a safe and wholesome food supply. Let's make sure that existing standards and regulations are implemented adequately before putting further restrictions on farmers and food processors.

Also, I feel that development and implementation of a voluntary organic food certification should be developed and implemented. The federal government should set guidelines so that states could implement uniform programs. This request has also been made to USDA by NASDA It should be our concern to ensure that consumers are purchasing what they think they are.

Federal Crop Insurance:

The Federal Crop Insurance Program is not working in Maryland. I have personally used crop insurance since 1965. In 1988 only about 5% of farmers and 3% of eligible acres were covered by crop insurance. I have reviewed the Principle Report of the Commission for the Improvement of the Federal Crop Insurance Program and encourage the committee to adopt the commission recommendations.

The Commission recommends changes to increase responsiveness to producer needs, broadening of participation, program simplification and improving program administration. The recommended changes are needed to provide farmers with a better product in crop insurance. If we had a good viable, cost-effective, crop insurance program, then the federal government would not need to come to the aid of farmers whenever there is a national disaster.

Conservation Provisions:

The Conservation Reserve Program should be continued to achieve greater levels of participation as the reality of Conservation Compliance requirements influence set aside decisions. Any expansion of eligibility should be based on water quality. This is a State and nationally recognized objective of agricultural conservation programs. Options for permanent withdrawal of enrolled land should be explored with incentive programs being the focus.

The Conservation Compliance program's initiation of alternative conservations systems provides much needed flexibility to the program. Decisions balancing economic hardship and substantial erosion reduction should rest with the local Soil Conservation District. It is not feasible to implement this program nationally without the flexibility to adapt to local conditions.

We support the continuation of SCS funding at increased levels to provide the needed technical assistance for implementation of 1985 Farm Bill provisions.

Alternate Agriculture:

Finally, I encourage the continued research funding for alternate agriculture. Special emphasis should be given to aquaculture production.

Closing:

I would like to thank you for coming to Maryland. Mr. Chairman, I only live 30 minutes down the road and the welcome mat is always out.

ADDRESSING GROUNDWATER QUALITY IN THE 1990 FARM BILL

Testimony
Submitted to the
U. S. House of Representatives
Committee on Agriculture
by
Russell B. Brinsfield
and
Kenneth W. Staver
University of Maryland System
Agricultural Experiment Station
Wye Research and Education Center
on
September 18, 1989

Environmental problems associated with intensive agricultural production have been widely documented. Of these problems, one of the most widespread is the contamination of shallow groundwater with nitrate under agricultural land receiving applications of nitrogen fertilizer. Elevated nitrate concentrations in groundwater have been detected throughout the Atlantic Coastal Plain as well as in other areas of the United States and Europe. Acute health effects from excessive nitrate levels in drinking water are primarily limited to infants, although evidence also suggests that the potential exists for adverse health effects in adults as a result of long term exposure. Generally, farm families are the sector of the population that experiences the greatest exposure to elevated nitrate concentrations in drinking water.

In the Chesapeake Bay region, problems associated with elevated nitrate levels in groundwater are not limited to human health effects. Shallow aquifers are connected to surface water bodies and lateral subsurface transport of nitrate in groundwater can make significant nitrogen contributions to surface waters. Even though the transport pathways for nitrogen into Chesapeake Bay have not been clearly defined, hydrologic studies suggest that groundwater flow may be a major mechanism for nitrogen transport into Bay waters. If the reductions in nitrogen inputs necessary for restoration of biologic and economic productivity of Chesapeake Bay are to be achieved, it is likely that the problem of groundwater nitrate contamination associated with agricultural activities will need to be solved.

In the extensive agricultural region located on the Delmarva Peninsula, as well as in the Chesapeake Bay drainage basin, corn production constitutes a major land use category. Of the agricultural acreage in these regions devoted to production of major commodities, corn is the crop which receives the highest rates of nitrogen fertilization. Long term studies on nutrient transport from agricultural land in the Maryland Coastal Plain have documented high rates of hydrologic nitrogen loss associated with corn production, with the major transport pathway being the leaching of nitrate from the rootzone into groundwater. Consequently, corn producing areas should be the primary focus of strategies for reducing agriculture related nitrogen effects in non-target areas. Several changes in the 1985 Farm Bill could help alleviate some of the environmental problems associated with agricultural activities in the mid-Atlantic region, without imposing major negative impacts on the economic viability of agriculture in the region.

Under the current Farm Bill, farmers must maintain their corn base in order to receive maximum payments for set aside acres. Any reduction in the corn acreage planted by a farmer below his allotment guarantees a reduction in his future corn base and a loss of revenues from government payments. With current commodity prices, encouraging farmers to protect their corn base results in more corn acreage being planted than would be justified based on price alone. Since corn receives the highest rates of nitrogen fertilization, artificially increasing corn acreage through incentive programs raises the potential for environmental nitrogen problems. In addition, if a farmer's corn base exceeds 50 percent of his total acreage, in order to protect this base a certain percentage of his land must be planted continuously in corn, thereby precluding crop rotation. Rotating crops has been demonstrated to reduce environmental problems associated with crop production, as well as help sustain productivity of agricultural soils. Incentive programs which encourage corn base protection also discourage attempts by farmers to diversify into non-commodity crops.

Development of the 1990 Farm Bill should include consideration of additional provisions that encourage farmers to implement management options that address water quality issues other than soil erosion. For example, equalization of corn and wheat bases would encourage crop rotation, thereby reducing the potential for high rates of hydrologic nitrogen transport associated with continuous corn production. Recently, the ASCS division of USDA announced that a producer could make a one-time base exchange between high and low residue producing crops in order to satisfy criteria for a soil and water conservation plan. In regions like the Maryland Coastal Plain where erosion rates are relatively low but nitrogen leaching is a problem, modification and extension of this provision to allow base equalization among corn and wheat or barley, all considered high residue crops, could help improve groundwater quality. In addition, provisions are needed which allow for corn base protection, if that base does not exceed 50 percent of a farmer's total acreage, without the requirement that the entire allocation be planted. This would eliminate corn acreage planted solely for base protection, thereby decreasing the extent of continuous corn production and encouraging farmers to consider alternative non-commodity crops.

Even with adjustments in the Farm Bill to eliminate incentives for excess corn production, additional measures will be needed to help solve the problem of high rates of nitrate transport to groundwater on existing corn acreage. The provision written into the 1985 Farm Bill requiring development and eventual implementation of soil and water conservation plans for participation in government programs will help solve the primary environmental problem associated with agricultural activities on highly erodible land, specifically soil erosion. However, although control of soil erosion is desirable on all cropland, the relatively level terrain in the Maryland Coastal Plain reduces surface runoff and soil erosion relative to agricultural areas predisposed to high rates of soil erosion. Groundwater contamination is the primary environmental problem associated with crop production on nearly level cropland, and a provision in the upcoming Farm Bill similar to the erosion control provision in the current Farm Bill, but addressing groundwater issues could help solve this increasingly evident problem. If a solution to the groundwater contamination problem associated with crop production can be developed within the agricultural sector, the likelihood of future regulation of groundwater quality under cropland by other branches of government will be reduced.

High rates of nitrate leaching from cropland in the Maryland Coastal Plain result from elevated concentrations of nitrate in the upper soil profile during periods of groundwater recharge. In this region, as in many other temperate agricultural regions, the most intense groundwater recharge period occurs during winter months. Consequently, the most critical factor determining annual nitrate leaching rates is the soil nitrate concentration following the primary growing season. Fertilizing corn production systems at optimum economic levels generally results in high soil nitrate concentrations following grain harvest, thus the reason for nitrate leaching problems in corn production systems. One method for reducing the availability of nitrate in the soil following the production of a corn crop is to plant cereal grain winter cover crops soon after corn grain harvest. Along with reducing soil nitrate levels, winter cover crops also help control soil erosion during winter months, when surface runoff is most likely to occur. If managed properly, a percentage of nitrogen retained by a cover crop can be utilized during the following growing season, thereby reducing the inorganic nitrogen inputs required to maintain crop production. Cover crops provide a means for retaining nitrogen in agricultural systems where it is a resource required for crop production, while at the same time reducing the impact of agricultural activities on groundwater as well as surface water quality. Adding a provision to the upcoming Farm Bill requiring cereal grain winter cover crops on corn acreage not rotated into small grain production would probably be the single most effective measure for addressing the most critical water quality problem associated with agriculture in the Maryland Coastal Plain.

TESTIMONY PRESENTED

by

DR. WILLIAM P. HYTCHE, PRESIDENT
UNIVERSITY OF MARYLAND EASTERN SHORE AND
CHAIR, COUNCIL OF 1890 PRESIDENTS/CHANCELLORS

to

THE U.S. HOUSE OF REPRESENTATIVES
AGRICULTURE COMMITTEE
September 18, 1989

Mr. Chairman and Members of the U.S. House of Representatives Agriculture Committee, I am William P. Hytche, President of the University of Maryland Eastern Shore and Chairman of the Council of 1890 Presidents/Chancellors. On behalf of 17 of the largest and most prestigious historically black public colleges and universities in the nation, we sincerely appreciate this opportunity to testify before this distinguished U.S. House of Representatives Committee on Agriculture as you deliberate the reauthorization of the United States Food Security Act.

Mr. Chairman, under your very able leadership, this Committee has established an enviable record of achievement in supporting the enhancement of black land-grant colleges and universities. Historically, the House Committee on Agriculture has been in the forefront of every significant development undergirding the capacity of the 1890 community to contribute to improvements in the quality of life and the environment, to educate our youth at risk, and conduct research vital to maintaining this nation's strategic position world-wide.

The ability of 1890's to sustain their land-grant mission of research, teaching, and public service for the common good will depend on the continued support of state and national congressional bodies to identify new targets of opportunity and to strengthen ongoing programs with greater focus on bringing about parity with majority land-grant colleges and universities. The strength of the 1890 community is intricately tied to maintaining a competitive agricultural enterprise in domestic and world markets.

The preeminence of the nation's agricultural industry can no longer be taken for granted. There is growing evidence of severe stress in the areas of economic growth, trade and international competition, environment, energy efficiency, water quality, agriculture production and processing, health, and natural and human resources. Most thoughtful analysts have concluded that current U.S. policies and practices continue to weaken the ability of the agriculture enterprise to address these critical problems.

In a paper prepared under the aegis of the National Association of State Universities and Land-Grant Colleges (NASULGC) on "The National Initiative for Agricultural Research," the author states that "Although the food and agricultural system is the largest source of renewable wealth in the country, serious problems must be overcome for the agricultural industry to be restored to its previous robust position. . . the 1980's has been devastating for the majority of U.S. agriculture, the 1990's offer promise for recovery."

While there are an increasing number of promising agriculture initiatives, state and national legislatures must establish a high-priority need for transforming the entire agricultural enterprise as vital for sustained economic recovery. Incremental legislative and policy initiatives in the reauthorization of the farm bill will diminish the capacity of the higher education community to contribute to the improvement of agriculture production and exacerbate constraints on the growth of the world agricultural system. Thus, the continued decline in the industrialization and innovation of the entire agricultural enterprise will remain unabated. While the pressure to revitalize agriculture continues, the Congress must strengthen national efforts to engage historically black colleges and universities, particularly the black land-grant colleges and universities, in agriculture as an integral part of a comprehensive legislative initiative.

Engaging 1890's as essential partners in the agriculture science and technology will require a sustained infusion of state and federal dollars and a far-reaching long-range legislative agenda that is responsive to the new demographic trends and economic realities of world markets. Ensuring the involvement of 1890's will require recognition that the nation has an important stake in creating a superlative research infrastructure, strengthening productivity and processing of food and fiber, innovating the commercialization of new food products, and producing new and highly skilled talent from within the more than 20 percent minority work force.

Teaching

If present undergraduate and graduate enrollment trends in agriculture and other national priority areas persist for black Americans, we will fail to stimulate the agriculture industry and continue to seriously erode the science and technology enterprise in America. Domestic policies affecting employment, education, and economic democracy will continue to place monumental stress on socially isolated communities where poverty, crime, and miseducation are already beyond control. We are at a pivotal point in addressing the problems facing our youth at risk. Something radical must be done to counter the massive waste of human potential. We believe that the answer lies in the enhancement and continued development of under/graduate programs at the 1890 colleges and universities.

In 1984-85, only 3.4 percent of doctoral degree recipients in the nation were black (74.1 percent were white). Even worse, in agricultural sciences, black Americans constituted less than 0.25 percent of all masters and 1.5 percent of doctorates. As the report, "One-Third of a Nation" notes, of 355 doctorates awarded in computer science in 1986, only one was awarded to a black and 39 earned doctorates in all the sciences.

These statistics are compelling in a society that is losing its competitive edge in domestic and international markets largely because we are unwilling to utilize the richness, talent, and diversity of one of our nation's resources -- black land-grant colleges and universities.

The inclusion of this national resource is prudent economic policy -- a resource that could save the nation some of the $75 billion we spend annually on social concerns associated with educational deprivation.

For example, we favor continuation and increased funding of the National Needs Fellowship Grants Program. This is considered an exceptional program but the selection process should ensure greater ethnic diversity and 1890 participation.

If we intend to be competitive and innovative, resources should be provided to develop outstanding graduate programs, complemented by research endeavors in high demand areas. There must be substantially greater support for the creation of graduate programs on our campuses in areas of national priority including agriculture, biotechnology, organismal and molecular biology, engineering, and environmental and atmospheric sciences.

To strengthen graduate programs, there must be USDA-based research laboratories placed on our campuses. While producing the best and the brightest in agricultural sciences, we can compete in the private agriculture sector as full partners in generating new knowledge for the production of food and fiber and in transmitting these advancements to the larger society.

More undergraduate scholarships and other forms of financial assistance are critical to strengthening the academic quality of our programs and students, and improving our responsiveness to the increasingly unmet demands of the work force. There must be comprehensive programs developed that will identify high potential students at the secondary school level and provide assistance that will take successful students through post-doctoral programs in agriculture science and technology.

Faculty development programs are equally critical given the declining availability of black faculty members in agricultural science. Black land-grant colleges and universities must be provided assistance to allow young faculty members to earn doctorates and take advantage of opportunities in private research enterprises. Ensuring the availability of scientific and technical know-how will require an assertive federal role and a sustained substantial investment at all levels of the academic community.

The newly created Capacity Building Grants Program must be expanded and funded at the level of more than $11 million in order to meet the critical shortage of black Americans in agriculture science and technology.

It is critical that 1890's develop centers of excellence to complement graduate programs in areas of national need. Thus, it is important to create a new and far-reaching initiative at the level of $50 million over a five year period solely for Resident Instruction. The inability to build highly competitive areas of specialization will continue to inhibit the capacity of 1890's to attract greater state support and private funding through sub/primary contracts. Building comprehensive Centers of Excellence must be a major priority in meeting the challenges of the 21st Century. This initiative would continue the current funding designated for cooperative extension facilities. Targeting resident instruction will allow 1890's to come to grips with the deep-rooted problems of increasing competitive talent, enhancing productivity and performance, and creating an environment in which the collective talents of all land-grant institutions can be focused on national interests and the revitalization of the American agriculture economy.

Further, this support would expand and enhance undergraduate programs, graduate programs in high demand areas through the post-doctoral level, faculty development, curricula reform, instrumentation, and other essential elements of a strong academic infrastructure. This effort would complete the cycle to strengthen programs at 1890's and complement efforts under the capacity building program.

The nation must be prepared to invest in the full development of black land-grant colleges and universities to include capital investments and the transformation of educational opportunity as central to our national economic and social agenda. The full revitalization of the American economy will not occur without the strong presence and participation of 1890's.

Research

Today, the rich legacy of the land-grant tradition remains prominent on the campuses of these 17 institutions through basic and applied research programs. With primarily federal assistance, these institutions have:

o Developed new microbiological insecticides

- Synthesized a series of oxygen-carrying protein complexes that have the potential to serve as blood substitutes in the treatment of sickle cell anemia

- Developed new composite alloys for use in outer space and earth-based activities

- Received a patent for development of an anti-inflammatory steroid, which pharmaceutical firms in the U.S. and overseas are interested in manufacturing for rheumatism, arthritis, and other maladies.

The 1890's must receive greater research support to innovate faculty, enhance instrumentation, engage graduate students as research assistants, and capitalize on the existing resources in the private sector. Instrumentation obsolescence in agricultural research will continue to unduly impede the capacity of 1890's to become full partners in agriculture. These institutions must become more involved in long-range exploratory research. Special provisions must be established within existing programs to assure involvement of 1890's in areas of national priority including water quality, alternative crops, small scale alternative agriculture, agribusiness, rural development, biotechnology, food production and processing, and other areas consistent with USDA mandates.

All these initiatives are within the realm of the Department's mandate. We note, for example, that over the past two years, centers of excellence in aquaculture have been established with little, if any, consideration given to 1890's. The Congress must set the standard for building confidence in the ability of the 1890's to work with major private agricultural enterprises. There is a clear correlation between federal dollars and private support in higher education.

The business community contributes annually about $1.57 billion to higher education research programs. One hundred universities expend more than $7 billion annually on basic and applied research. In a progressive society that measures the quality of higher education on the prominence of research, the absence of 1890 universities in this massive industry is appalling.

Extension

Over the past decade, we have made several requests to strengthen outreach programs to more effectively serve our traditional clientele. Our institutions were granted land-grant status in 1890, 28 years after the 1862 Act. The Smith-Lever Act, which created funding for Extension programs, was enacted in 1914. Yet, it took over 60 years for our institutions to receive our first dollar for Extension. We have a lot of catching up to do. It is our firm belief that congressional mandates and appropriations must be carried out equitably. For example, the expanded Food and Nutrition Education Program (EFNEP) serves the needs of limited resource clientele. We also wish to participate in this funding, recognizing the fact that we have contributed most toward improving the quality of life of the socially and economically neglected. It is my hope that Extension program will be fully funded at the mandated level and that facilities support will continue for the entire period of authorization.

Greater federal assistance is critical to 1890's strengthening links with communities devastated by school dropout, drug abuse, teenage childbearing, poverty, crime, and other severe social and economic problems. We can and must play a greater role in breaking the intergeneration cycle of poverty and social deprivation that reverberates throughout our urban and rural communities. We have the expertise and talent and the ability to replicate successful intervention programs that can alter the life path of children who face incredible odds against survival. **In Within Our Reach: Breaking the Cycle of Disadvantage**, the author states, "It is a strange and tragic paradox. . . that confidence in our collective ability to alter the destinies of vulnerable children has hit bottom just as scientific understanding of the processes of human development and the rich evidence of success in helping such children has reached a new high."

Rural Development

During the 50's and early 60's, rural communities retained a significant comparative advantage in many natural resource industries and small agricultural business enterprises. Most rural communities developed farming-related industries that provided occupation vital to the economic viability of the rural community. The 70's brought on a significant shift in rural industrial development. Most manufacturing and service industries moved to urban areas. This was followed by a tremendous rural to urban migration with the rural area retaining the youth, the elderly, and the unskilled labor force. Efforts to promote economic growth were oftentimes unsuccessful. Most activities that had begun could not sustain economic growth. The effect has been a continued degradation of the quality of life. Rural unemployment has continually increased, and there is a high rate of rural population outmigration, lowered educational attainment and higher rate of illiteracy.

I take my own county, for example: The unemployment rate is the highest in the state. The support for primary and secondary education is one of the lowest. My university is the major employer and is the only hope for sustaining any economic revitalization. Just recently, two businesses that have been in existence for more than 20 years have closed. Others are facing similar predicaments unless something is done.

Over the years we have heard of rural development initiatives, but I certainly believe that such programs have not contributed equitably to the overall goal of improving the rural economy nor the quality of life in rural communities.

Mr. Chairman and members of the Committee, it is my intention to make some concrete suggestions which I hope you will consider for implementation, recognizing the fact that legislation must be followed by appropriate funding.

There are resources in many rural communities which still remain underutilized. I refer to the 1890 land-grant universities which are located in states with many small communities and towns serving many minority farmers and farm families.

I strongly recommend the infusion of adequate resources in these institutions to promote rural economic growth, rural income enhancement, rural housing health care, recreation and education. Regional Rural Development Centers have been established to conduct research and extension activities related to rural development, but none is located at an 1890 campus.

I am proposing the creation of "Rural Economic Incubators" on some 1890 campuses. These incubators would help to promote small rural business enterprises and assist them functionally for three to four years before weaning them. Some centers could conduct studies in rural affairs, focusing on rural transportation, health care, the elderly, leadership development, and retraining and skills development for displaced workers.

Other centers could focus on production and marketing of alternative high value agricultural crops, with some emphasis on value-added products.

I propose the establishment of these centers at our 1890 campuses because of our involvement with the rural poor and because there are no federal facilities on our campuses. Also worthy of mention is the fact that USDA has set as one of its goals the co-location of facilities and programs at 1890 campuses. Your inclusion of my request in the 1990 Farm Bill would help us attain this goal.

Mr. Chairman, let me emphasize that rural communities with a healthy, young work force and good leadership skills will survive. Education will, however, be the crucial element in achieving rural economic development. Through education we can develop rural leadership skills, train future entrepreneurs, motivate community action and attract prospective investors.

Mr. Chairman and members of the Committee, the 1890 universities pledge that if given the opportunity, through the creation of these centers, they will seek ways and means to increase income generation opportunities for rural families and individuals, seek ways to improve the quality of life including the environment of the rural poor, find ways to improve food, clothing, shelter, and other basic needs of the elderly, and find ways and means to identify and train community leaders to obtain, improve, and develop community resources. Rural economic development will continue to be a major concern of the 1890 universities. Our ultimate goal is to create greater stability and profitability in agriculture for small farmers and limited resource families. However, one should remember that economic development requires planning, financing, and the development of facilities and services.

Mr. Chairman and members of the Committee, let me again express my thanks to you for allowing me to appear before you on behalf of the 1890 Colleges and Universities. It is especially gratifying since you are meeting here on the Eastern Shore. The Eastern Shore has a rich tradition in agriculture, particularly small scale agriculture. The poultry industry and the fish industry have contributed much to the economic survival of the Shore. However, recent problems with pollutants in the waterways, grain prices, and various regulatory impediments have significantly affected marketing of our agricultural products. Without adequate support at the federal level, the Eastern Shore, which is primarily rural, will suffer tremendous economic consequences. What is needed is not just policy but a significant infusion of dollars to create jobs and business ventures, provide educational opportunities, and increase the potential for our at risk kids being productive contributors to society.

STATEMENT OF

CRAIG S. OLIVER
ASSOCIATE VICE CHANCELLOR FOR AGRICULTURE AND NATURAL RESOURCES
UNIVERSITY OF MARYLAND SYSTEM

Mr. Chairman and members of the committee, I appreciate the opportunity to appear before you to discuss an issue of major importance to this state and the nation, the effectiveness of federal agricultural and rural development policies since the enactment of the Food Security Act of 1985 and formulation of the 1990 farm bill.

I am Craig S. Oliver, Associate Vice Chancellor for Agriculture and Natural Resources in the University of Maryland System. I also have the privilege of serving as a member of the United States Department of Agriculture's Joint Council on Food and Agricultural Sciences, and on the Regional Committee for the Low Input/Sustainable Agriculture Program.

The reauthorization of Title XIV, "The National Agricultural Research, Extension and Teaching Policy Act of 1977" as amended in 1981, and the Food and Security Act of 1985, reaffirmed the need for a publicly supported science and education system in agriculture as part of national policy and national security. The Congress also made a commitment to the continued need for providing strong base-funded programs as authorized in the Hatch Act of 1887 and the Smith-Lever Act of 1914. These landmark agricultural acts created the public components of an agricultural research and education system which was and is unique in placing basic, developmental, and adaptive research and technology transfer responsibilities with our 1862 and 1890 Land

Grant colleges and universities. The result has been that these special institutions integrated teaching, research, and extension in such a way that they reinforced each other and made the collective output greater than the sum of the components.

It is noteworthy that this landmark agricultural legislation did not focus on individual agricultural problems or issues. The acts created an institutional structure that put in place and helped maintain an infrastructure of trained people, facilities, equipment, support services, and communication networks that is capable of addressing local, state, and national problems.

The National Agriculture, Research, and Teaching Policy Act has served the nation well. Today the research and technology transfer system authorized therein provides United States consumers with a high quality, nutritious, safe food supply that requires the lowest percentage of disposal income of the citizens of any country in the world.
I would urge that Congress reaffirm its commitment to reauthorize the basic elements of Title XIV with updating to address issues of current public concern in the state and nation.

These concerns have far reaching impact. For a moment let me review with you just a few of these concerns.

1. **The quality of the environment, including water, air, and land.**

Maryland is often referred to as "America in miniature" because of the diversity that exists within its borders. Within its boundaries there is a growing population base, a strong agriculture, and the largest estuary in the world. Seventeen of the political subdivisions (23 counties and Baltimore City) fall within the jurisdictions of the critical areas of the Chesapeake Bay. Our public is greatly concerned about the quality of the environment, and particularly about the quality of both surface and sub-surface water supplies. The Agricultural Experiment Station and Cooperative Extension Service of the University of Maryland System are keenly aware of this concern, and have identified water quality as one of their highest priorities for research and technology transfer. We are concerned with the development of a toxics strategy which will aid in reducing the movement of pesticides into the Chesapeake Bay and eliminate any potential for contamination of our groundwater supply. This effort on the part of our scientists and Extension faculty is ongoing, and needs your continuing support if we wish to solve our problems in Maryland and across the country.

I would urge that Congress affirm the United States Department of Agriculture as the lead federal agency for the coordination of all federal research on non-point water quality.

2. Low input and sustainable agriculture systems.

Along with the concern for water quality, our public desires a more judicious use of chemicals in agricultural production. This requires a continuing effort to establish integrated crop and pest management systems, and necessitates multidisciplinary research and outreach programs with long-term base support. The Land Grant university system, with the USDA and other agencies cooperating, provides the opportunity to draw upon many disciplines to address systems-related problems with a broad cross section of expertise.

Within our state and region the effectiveness of low input/sustainable agricultural systems offers a great potential for reducing input costs and minimizing the hazards associated with chemicals in agricultural production.

3. Competitiveness in world markets.

Exports of Maryland's agricultural products flourished during the 1970's, and the port of Baltimore operated near capacity. Throughout the 80's, however, both Maryland's agricultural exports and agricultural shipments from the port of Baltimore declined substantially.

Although market forces will likely limit Maryland's export of low value, bulk form commodities, there are opportunities to increase exports of high value agricultural and aquacultural products and services, and products and services developed from biotechnology.

There is evidence to suggest that there will be an increasing world demand for these products and services, and they can be produced competitively in Maryland and the mid-Atlantic region. Moreover, there are major changes in international trading arrangements on the horizon which will create more market opportunities for the mid-Atlantic region. These include European unification (Europe 1992); Current General Agreement on Tariffs and Trade (GATT); and negotiations and recent potential relaxation of Japanese trade barriers.

The Maryland Department of Agriculture and the Department of Agricultural and Resource Economics of the University of Maryland at College Park, with support from the Maryland Agricultural Experiment Station and the Maryland Cooperative Extension Service, are finalizing plans to launch the Maryland Agricultural Export and Trade Policy Center. The Center, in cooperation with the Maryland International Trade Division, will focus on the following activities:

A. market development for Maryland products;
B. research on international trade policy;
C. research of market demand impediments to exporting;
D. educational programs on policy and strategy for state government officials and business executives;
E. providing information to exporters and potential markets, trade leads and how to sell in foreign markets.

The University of Maryland and the Maryland Department of Agriculture are prepared to commit a substantial amount of existing and new resources to the Center. In addition, Governor Schaefer and Maryland's Congressional delegation have requested funding from Congress that was authorized in the 1985 Farm Bill for the development of agricultural trade centers. The Center will encourage and facilitate exports which will help not only agriculture, but also the overall U. S. trade deficit.

The issue of competitiveness in world markets must be one of the major focuses in the 1990 Farm Bill.

4. Youth at risk.

The future of our youth is another national concern. Research is needed on the significant changes in the economy and family structure that have resulted in placing youth at risk. Symptoms of the problems are school dropouts, young people leaving the educational system are unable to read or to function in the workaday world, teen pregnancies, substance abuse, child neglect and abuse -- in essence, a national neglect of children and families. While we in the Land Grant universities have one of the major outreach programs for youth in our 4-H programs, it is essential that we address this problem by socio-economic research and education using the diversity and expertise of major socio-economic departments in our universities.

In order to address the issue I would recommend that Congress identify socio-economic studies as a sector for competitive grant funding. The issue at hand is one that affects the very core of our society. Development of human capital should continue to be not only a major focus to our universities, but to all segments of government at the state and federal levels, including the Department of Agriculture.

5. Revitalizing rural America.

Large portions of rural America are under stress to maintain their infrastructure and their vitality. Here in Maryland the resources we utilize are the Institute for Governmental Service working with our community and economic development program within the Cooperative Extension Service to reach out and assist with local government needs and problems. The 1990 Farm Bill should re-emphasize the commitment of Congress to initiate or continue programs that will foster the changes that are necessary in rural America to continue to be a strong contributor to the economy of the United States. Rural development centers have made major contributions to the solution in the past, but their role must be enlarged and their base of support strengthened.

In summary let me mention just a few issues that I feel need to be addressed and considered in drafting the 1990 Farm Bill:

1. Inclusion within Title XIV a subtitle on "Global Change in the Environment."

2. Addition of a title or subtitle to accommodate "Rural Revitalization" or "Rural Economic Development."
3. Addition within Title XIV a subtitle on "Food Safety, Health, and Nutrition: Extension and Research."
4. Modification in the authorization language of the 1890 Land Grant institutions to increase from six percent the amount of support for Cooperative Extension programs.
5. Inclusion within Title XII a subtitle to include a provision for the Extension educational components, including funding authorization, relating to the conservation reserve program, swampbuster, sodbuster, and related provisions of this title.
6. Inclusion within Title XIV a subtitle on "Water Quality Research and Education."
7. Inclusion within Title XII of the subtitle F, addressing "Value Added and Economic Competitiveness" as a component of economic development.
8. Expansion of the conceptual framework which establishes regional agricultural export and trade policy centers to assist in improving our global competitiveness.

9. Authorization to identify socio-economic studies as a sector for competitive grants for youth at risk which will aid in maintaining our human resources base.
10. Reauthorize the agricultural productivity act which provides authority to conduct research and education programs in alternate farming systems.

Mr. Chairman, I appreciate this opportunity to testify before this committee today. I shall be happy to answer any questions.

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STATEMENT OF THE

DELMARVA POULTRY INDUSTRY, INC.

before the

COMMITTEE ON AGRICULTURE

U.S. HOUSE OF REPRESENTATIVES

regarding the 1990 Farm Bill

Easton, Maryland

September 18, 1989

DONALD J. LYNCH
HARRY J. MITCHELL
ALDEN H. BALFANY
DR. KEITH E. RINEHART
GERALD R. TRUITT, JR.
CONSTANCE E. PARVIS
J. WILLIAM SATTERFIELD

Good morning. I am Bill Satterfield, Executive Assistant for the Delmarva Poultry Industry, Inc., also known as DPI. DPI is a non profit trade association working for the continued advancement of the more than one billion dollar a year poultry business on the Delmarva Peninsula. The peninsula includes Delaware, the eastern shore of Maryland and the eastern shore of Virginia. Our association has 4,000 members. They include the eight integrated poultry companies operating on Delmarva, their employees, most of our area's 2,700 poultry producers, allied industry suppliers of products and services, and non-poultry businesses which recognize the importance of the poultry industry to their operations.

The 1985 Food Security Act has done a lot to improve agriculture in

America and DPI supports the concepts of that law. It has moved general agricultural policy toward a more market-oriented position. At the same time, we recognize that fair and stable returns to crop producers are necessary to help assure an adequate supply of feedstuffs at reasonable costs. America's and Delmarva's poultry industries are truly success stories. Per capita chicken consumption has risen from about 21 pounds in 1950 to almost 68 pounds this year. It takes a shorter amount of time to produce a heavier chicken with less feed than it did back in 1950. These advancements have been made in a free market system. Without the constraints of marketing orders, supply management, price supports and other programs which exist for feed grains, our industry has had tremendous growth without the billions of dollars spent to help other types of farmers. The law of supply and demand works, as shown by the poultry industry, and DPI believes the move toward a free market system in all of agriculture is in the best interest of our nation.

There are several issues needing addressing in the 1990 Farm Bill. One of them is the need for increased crop planting flexibility. Today's commodity programs unintentionally discourage farmers from shifting acreage from target-price crops (corn, feedgrains, rice, wheat, and cotton) to other crops, even when market conditions strongly signal for a change. For instance, the corn program is having an undesirable effect on soybean plantings. Acreage devoted to soybeans has declined despite favorable market conditions. Farmers are selecting corn because of corn's relatively attractive target price and because farmers need to safeguard their corn base to protect their eligibility for program benefits in future years. In today's markets, domestic and abroad, farmers need the flexibility to shift from one crop to another to increase exports and respond to profit opportunities.

The poultry industry is a major user of feedgrains and soybeans. Nearly 75% of the cost of producing a chicken is the cost of feed. About 66% of the poultry diet is corn, with 20% soybean meal. We are, therefore, very much concerned about the removal of acreage from production. Growing evidence suggests that the forced idling of millions of acres of cropland hurts the competitiveness of the American farmer by increasing production costs. When any industry operates below its productive capacity, it faces disadvantages. Unit production costs rise, fixed assets are idled and competitiveness declines. This is certainly the case with agriculture. The U.S.D.A.'s heavy reliance on acreage reduction programs to control crop production and lower farm program costs needs to be examined.

Exports of broilers and broiler parts are expected to continue strong for all of 1989, up 15 to 20% according to the U.S.D.A. In the first half of this year, exports were record large and 31% above 1988. Exports are becoming more important for Delmarva's poultry companies. Though our companies have not participated in the government's export assistance programs, DPI supports the continuation of these programs until the underlying reason for such programs, unfair trading practices by other nations, can be effectively and adequately addressed in trade negotiations. The Export Enhancement Program should not be made a permanent feature of America's farm policy, but should be reauthorized as a tactical step to help American exporters with specific commodities in specific markets.

In the area of environmental matters, Delmarva's poultry industry has been a leader nationwide. Our industry, especially our growers, recognize the importance of protecting our natural resources. It is in their best interests to properly dispose of wastes, such as manure and dead birds, because they have to live in the areas where chickens are being grown. On Delmarva, DPI, the local land grant universities, county conservation districts, state regulatory agencies and the U.S.D.A. have worked together to develop acceptable and cost effective ways of dealing with waste products. As the Congress, the states and the citizenry become more concerned about the quality of the environment, we would like to see an increased financial commitment from the U.S.D.A., through the Soil Conservation Service and the Agricultural Stabilization and Conservation Service, for manure storage structures and dead bird composting systems. This cost share money would provide an incentive for growers to properly dispose of wastes. Absent assistance from the government, we fear some growers will not properly store and then apply the valuable waste products they have. These storage and composting structures, combined with Best Management Practices, will help growers do their part to protect the soil and water.

Your committee and the entire Congress have a difficult job facing you as you draft a 1990 Farm Bill. You must balance the needs of the farmers who grow the crops with the needs of the buyers and users of those crops, such as the poultry industry. We hope you will keep this equation in mind as your work on the bill.

STATEMENT OF MILTON MALKUS
SOYBEAN FARMER-LEADER, MID ATLANTIC SOYBEAN ASSOCIATION
BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

SEPTEMBER 18, 1989

I am Milton Malkus, a soybean farmer from Blackwater Farms in Cambridge Maryland. It's a true pleasure to be invited here today.

Soybeans are Maryland's leading cash row crop. This year, about 17 million bushels of soybeans will be harvested here on 560,000, acres according to USDA. Our crop has a cash value of $95.5 million dollars. As you can see, soybeans are important to farm income in Maryland. They are also a vital protein feed component for poultry, a major industry in Maryland. Soybean farmers value their customers, including poultry producers since each year poultry consumes 46 percent of the soybean meal produced in the U.S.

Soybean farmers congratulate this Committee for coming to the country to hear from farmers and others directly affected by the important decisions you make. The next Farm Bill you write will set the framework for U.S. agriculture into the next century. The stakes are high and the challenges significant.

The American Soybean Association has a 1990's Task Force of farmers who have been working for the past 15 months listening and surveying soybean farmers. They held many "Listening Sessions" of farmers around the country and found four top concerns looking toward the next Farm Bill:

1. Environment
2. Greater Farmer Freedom to Make Planting Decisions
3. Market-driven Demand Growth
4. Soybean Quality

Environmental policy clearly overlaps with farm policy. I'd like to focus on both today. We need balanced environmental policies which allow farmers to produce soybeans competitively and profitably while protecting the environment. Positive incentives to encourage sound environmental practices accompanied with increasing education programs would go a long way towards continuing good stewardship of our productive land. If farmers have more freedom to plant what's best for their farming operation, they can improve crop rotations. More balanced crop rotations mean better pest and disease control, conservative use of fertilizer and chemical, and lower farm production costs.

When I talk to farmers in Maryland, they tell me that they want to produce "for the market, not the mailbox." They want greater freedom to make planting decisions on their farms. If prices fall dramatically, they want a "safety net" of reasonable income support. Farmers here also want simpler farm programs. Now we spend literally days in the local ASCS Office waiting in lines to be told what to plant, where and how much of one crop or another. Why can't we report to ASCS the acres we grow instead of asking permission?

I know farm programs are voluntary. But farmers can't afford not to participate in farm programs or suffer the long term potential economic consequences of losing base. Their bankers won't let them. Moreover, we remember that farm programs provided important support during the low prices of the mid-1980's and that having base acreage is a key to benefits.

Soybean farmers would like the option to improve crop rotations for agronomic and price reasons. Continuous production of program crops is skewing crop rotations with adverse impacts on yields. Moreover, the market today offers some attractive profit opportunities for nonprogram crops such as soybeans. Why not give farmers greater freedom to grow soybeans for the market by allowing substitution without base loss?

We suggest you explore options which meet the various soybean regional interests to achieve this goal.

The current U.S. farm programs are discouraging production of soybeans in the U.S. and encouraging production overseas. Farm program economics tell me to maximize production of program crops which has a target price yielding greater returns than the market price for soybeans.

Yet foreign competitors like Brazil and Argentina don't receive a target price. They keep expanding their soybean production because they see that soybean cash prices are more profitable than cash prices of other commodities.

U.S. farmers get the signal to maximize production of program crops while our competitors see the opposite signal from the marketplace. As a result, U.S. production of soybeans and other oilseeds is down 31 percent and acreage is down 20 percent since 1979. Foreign production is up 52 percent and acreage is up to 22 percent. World demand for protein and vegetable oil is growing a 4-5 percent a year. U.S. farmers are reducing soybean acreage in a growing market while foreign competitors expand and seize profit opportunities from U.S. farmers.

As you write the next Farm Bill, we recommend you carefully consider the impact of one crop policy upon another. The same farmer often grows several crops and must weigh the economic benefits of growing one crop over another.

Soybean farmers would welcome the opportunity to work with this Committee to pursue creative solutions to resolve these challenges facing soybeans. Our problems aren't low price and high federal costs. Our challenge is to achieve policy which lets us produce a quality crop for the market, generate a profit and benefit from a growing world market.

To benefit from a growing world market we must also work to reduce unfair trade barriers. The Targeted Export Assistance (TEA) program is an important tool to combat unfair trade barriers, many of them in the European Economic Community (EEC). The EEC is our largest market and our largest competitor.

TEA has been very successful in offsetting unfair soybean trade barriers. For example, the TEA program is responsible for increasing soybean oil consumption in Portugal by 36 million bushels and by 8.5 percent in West Germany. TEA funds helped increase the share of identified soybean oil on the market from 3.5 percent to 7 percent.

This Committee included the TEA program in the 1985 Farm Bill. We strongly urge that it be continued and strengthened in the next Farm Bill.

Mr. Chairman, that concludes my remarks. Thank you for the opportunity to be here.

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TESTIMONY OF JESSE BURALL
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
SEPTEMBER 18, 1989

MR. CHAIRMAN, I AM JESSE BURALL, A DAIRY FARMER FROM MONROVIA, MARYLAND AND VICE-PRESIDENT OF THE BOARD OF DIRECTORS OF THE MID-ATLANTIC DIVISION OF DAIRYMEN, INC., A MILK MARKETING COOPERATIVE OPERATING IN 16 SOUTHEASTERN STATES. I AM ALSO A MEMBER OF THE MARYLAND AGRICULTURAL COMMISSION, MARYLAND FARM BUREAU, AND THE GRANGE. I AM PLEASED THAT YOU, CONGRESSMAN DYSON AND YOUR COMMITTEE ARE HERE TODAY PROVIDING THIS OPPORTUNITY FOR US TO EXPRESS OUR VIEWS ON THE 1990 FARM BILL.

I, ALONG WITH MY WIFE, OPERATE A 900 ACRE DAIRY FARM (250 ACRES OWNED, 650 ACRES LEASED) IN FREDERICK COUNTY, MARYLAND. WE HAVE FOUR SONS AND ONE DAUGHTER. ONE SON OPERATES AN EIGHTY COW OPERATION ON HIS OWN AND ONE SON IS INVOLVED IN THE HOME OPERATION OF 100 COWS. DURING THE FORTY YEARS THAT I HAVE BEEN IN THE DAIRY BUSINESS, THE INVESTMENTS THAT I HAVE MADE IN MY DAIRY OPERATION HAVE BEEN MADE WITH THE EXPECTATION THAT U.S. DAIRY POLICY, WHILE NOT HOLDING SUPPORT LEVELS CONSTANT, WOULD PERMIT INDUSTRY ADJUSTMENTS TO TAKE PLACE IN AN ORDERLY MANNER. THIS IS ESSENTIAL IF WE ARE TO CONTINUE DAIRY FARMING IN MARYLAND.

ONLY TWICE IN THE LAST FIVE DECADES HAS MILK PRODUCTION EXCEEDED COMMERCIAL USE TO THE EXTENT THAT BURDENSOME SURPLUSES OF

DAIRY PRODUCTS WERE HELD BY THE COMMODITY CREDIT CORPORATION FOR A SIGNIFICANT PERIOD. THE FIRST WAS IN THE EARLY 1960'S AND THE OTHER THE 1980'S. IN EACH CASE THE PRICE SUPPORT LEVEL FOR MILK AND DAIRY PRODUCTS WAS SET TOO HIGH, PRODUCTION WAS OVERLY STIMULATED AND A PERIOD OF READJUSTMENT FOLLOWED.

WHILE SUPPORT PRICES IN THE LATE 1970'S AND EARLY 1980'S STIMULATED INVESTMENT WHICH LED TO EXCESSIVE SURPLUSES OF DAIRY PRODUCTS ACCUMULATED IN THE MID-1980'S, THE 1985 FARM BILL RECOGNIZED THE NEED TO BRING SUPPLY AND DEMAND ONCE AGAIN INTO BALANCE. IT HAS DONE SO.

FROM A LEVEL OF OVER $2 BILLION IN 1985, OUTLAYS BY THE COMMODITY CREDIT CORPORATION ("CCC") FOR IT'S DAIRY PRICE SUPPORT AND MARKET STABILIZATION ACTIVITIES HAVE DECLINED TO ABOUT $670 MILLION -- A 68 PERCENT DECLINE IN PROGRAM OUTLAYS. IN CONTRAST, TOTAL OUTLAYS BY THE CCC FOR ALL IT'S PRICE SUPPORT ACTIVITIES HAVE DECLINED ABOUT 34 PERCENT. THE REDUCTIONS IN DAIRY HAVE HELPED CUT THE COST OF AGRICULTURAL STABILIZATION PROGRAMS FROM 2.68 PERCENT OF THE FEDERAL BUDGET IN 1986 TO JUST OVER 1 PERCENT.

TODAY, THE DAIRY PRICE SUPPORT PROGRAM IS FUNCTIONING AS A SAFETY NET FOR FARMERS RATHER THAN AN INCENTIVE TO PRODUCE FAR BEYOND MARKET NEEDS. MARKET PRICES FOR CHEESE AND NONFAT DRY MILK HAVE BEEN ABOVE SUPPORT PRICES FOR MORE THAN A YEAR.

GOVERNMENT STOCKS OF CHEESE AND NONFAT DRY MILK ARE

GONE. THE SUPPORT PRICE FOR BUTTER, THE ONLY DAIRY PRODUCT IN SURPLUS, IS BEING ADJUSTED TO REFLECT MORE CLOSELY IT'S COMMERCIAL MARKET VALUE.

THE AVERAGE PRICE PAID FOR MANUFACTURING GRADE MILK IN THE STATES OF MINNESOTA AND WISCONSIN (M-W) DURING AUGUST, 1989 WAS $12.42 PER HUNDREDWEIGHT (CWT.) FOR MILK HAVING AN AVERAGE BUTTERFAT TEST OF 3.53 PERCENT. CONVERTED TO 3.5 PERCENT BUTTERFAT, THE PRICE IS $12.37, $.61 MORE THAN LAST MONTH, $1.39 MORE THAN AUGUST 1988, AND $1.77 MORE THAN THE CURRENT SUPPORT PRICE.

FEDERAL MARKET ORDERS CONTINUE TO PROVIDE FOR THE ORDERLY MARKETING OF A HIGHLY PERISHABLE PRODUCT. THEY CONTNUE TO ASSURE AN ADEQUATE SUPPLY OF PURE AND WHOLESOME MILK FOR FLUID USE IN ALL MARKETS THROUGH A SET OF RULES, REGULATIONS AND PRICING PROVISIONS THAT ATTRACT MILK FOR FLUID USE FROM THE LOCAL AREA OR FROM DISTANT MARKETS IN AN ORDERLY AND CONSISTENT MANNER.

LOOKING AHEAD, THERE IS UNCERTAINTY ABOUT THE IMPACTS OF NEW TECHNOLOGIES, AS THERE HAVE BEEN IN THE PAST WITH THE INTRODUCTION OF OTHER TECHNOLOGIES THAT HAVE INCREASED INDUSTRY PRODUCTIVITY. HOWEVER, THE FEATURES OF THE DAIRY PRICE SUPPORT PROGRAM AND FEDERAL ORDER SYSTEM THAT HAVE BENEFITED PRODUCERS AND CONSUMERS ALIKE FOR OVER 50 YEARS AND PERMITTED THE INDUSTRY TO EFFICIENTLY MEET THE DEMANDS OF AN EXPANDING MARKET SHOULD BE MAINTAINED.

MR. CHAIRMAN, AS THE COMMITTEE CONSIDERS THE 1990 FARM

BILL AND THE DAIRY SECTION OF THAT LEGISLATION, I WOULD MAKE THE FOLLOWING RECOMMENDATIONS:

DAIRY PRICE SUPPORT PROGRAM:

* AN EFFECTIVE DAIRY PRICE SUPPORT PROGRAM IS ESSENTIAL IF MARKET STABILITY IS TO BE AFFORDED PRODUCERS AND CONSUMERS.

* THE MARKET ORIENTATION OF THE CURRENT PROGRAM SHOULD BE MAINTAINED, WITH THE SUPPORT LEVEL PROVIDING A FLOOR BELOW WHICH MILK PRICES SHOULD NOT FALL. THE SUPPORT PRICE SHOULD PROVIDE A SAFETY NET TO PREVENT DISASTROUSLY LOW PRICES TO DAIRY FARMERS, WHILE PERMITTING NORMAL MARKET FORCES TO WORK.

* SECTION 22 IMPORT QUOTAS WHICH PROTECT DOMESTIC AGRICULTURE FROM SUBSIDIZED EXPORTS, DUMPING AND OTHER UNFAIR TRADE PRACTICES SHOULD BE MAINTAINED. THE UNITED STATES CANNOT BE EXPECTED TO UNDERWRITE THE COST OF FOREIGN SUBSIDY PROGRAMS.

* CHANGES IN THE LEVEL OR PRICE SUPPORTS SHOULD BE SET UTILIZING A DAIRY SPECIFIC FORMULA WITH A "SNUBBER" OR "TRIGGER" BASED ON THE PROJECTED LEVEL OF GOVERNMENT PURCHASES OF DAIRY PRODUCTS.

* PRICE SUPPORT ADJUSTMENTS LIMITED TO $.50 PER YEAR OR 5 PERCENT PER YEAR, WHICHEVER IS LESS, SHOULD BE MADE GRADUALLY. ADJUSTMENTS SHOULD BE MADE DOWNWARD IF CCC PURCHASES EXCEED 5 BILLION POUNDS MILK EQUIVALENT PER YEAR OR UPWARD BY NO MORE THAN

$.50 OR 5 PERCENT IF CCC PURCHASES ARE LESS THAN 2.5 BILLION POUNDS MILK EQUIVALENT PER YEAR.

* IN NO EVENT SHOULD THE SUPPORT PRICE LEVEL BE PERMITTED TO BE MORE THAN $1.00 BELOW THE U.S. AVERAGE PRICE FOR MANUFACTURING GRADE MILK DURING THE PREVIOUS YEAR.

* THE PRICE ADJUSTMENT PROVISIONS JUST MENTIONED WILL OPERATE TO MAINTAIN AN ACCEPTABLE BALANCE BETWEEN SUPPLY AND DEMAND. THEREFORE, SUPPLY CONTROLS PROGRAMS UNDER NORMAL CIRCUMSTANCES WOULD NOT BE NEEDED OR IN THE LONGER-TERM BEST INTEREST OF THE INDUSTRY.

* TO MORE ACCURATELY REFLECT THE MARKET FOR MILK AND DAIRY PRODUCTS, CCC PURCHASES, WHEN CONVERTED TO A MILK EQUIVALENT BASIS, SHOULD BE CONVERTED USING TOTAL SOLIDS OR A WHOLE MILK BASIS RATHER THAN A MILK FAT.

FEDERAL MARKET ORDER PROGRAM:

* A STRONG AND FLEXIBLE FEDERAL MILK MARKETING ORDER PROGRAM IS ESSENTIAL TO THE MAINTENANCE OF ORDERLY MARKETING OF MILK IN FLUID AND MANUFACTURED DAIRY PRODUCT MARKETS.

* CLASS I DIFFERENTIAL ADJUSTMENTS CONTAINED IN THE 1985 FARM BILL, WHILE NOT SUFFICIENT TO COVER TOTAL TRANSPORTATION COSTS, MORE ACCURATELY REFLECT THE COSTS OF TRANSPORTING MILK FROM

SURPLUS TO DEFICIT REGIONS THAN DIFFERENTIALS IN EFFECT FROM 1968 TO 1985. THEREFORE, THEY SHOULD BE RETAINED SUBJECT TO REVIEW AND ADJUSTMENT BY THE SECRETARY OF AGRICULTURE.

* THE CLASSIFIED PRICING OF MILK TO REFLECT ITS USE IS ESSENTIAL IF THE INTEGRITY OF THE FEDERAL ORDER SYSTEM IS TO BE MAINTAINED. WHILE RECONSTITUTION SHOULD BE PERMITTED ONLY WITH COMPENSATORY PAYMENTS OR DOWN ALLOCATION, MILK CONCENTRATED BY REVERSE OSMOSIS CAN BE SHIPPED BETWEEN ORDERS WITHOUT DESTROYING THE CLASSIFIED PRICING SYSTEM IF, ON A MILK EQUIVALENT BASIS, THE MILK IS PRICED AS BULK FLUID MILK SHIPPED INTER-ORDER.

* LOCAL OR REGIONAL ORDERS ARE THE BEST MEANS OF RECOGNIZING THAT FLUID MILK MARKETS ARE LESS THAN NATIONAL IN SCOPE.

IN CONCLUSION, MR. CHAIRMAN, THE DAIRY SECTION OF THE 1985 FARM BILL REESTABLISHED A RELATIVE BALANCE BETWEEN SUPPLY AND DEMAND IN THE MARKET AND REDUCED PROGRAM COSTS. WITH REASONABLE AND RELATIVE MINOR ADJUSTMENTS, AN EXTENSION OF THE DAIRY PRICE SUPPORT AND FEDERAL ORDER PROGRAMS WILL PROVIDE A DAIRY POLICY THAT WILL CONTINUE TO SERVE THE NEEDS OF PRODUCERS AND CONSUMERS.

Grain
The voice of Maryland's grain industry

Maryland Grain Producers Association, Inc.
c/o Willard Chemical Company
P.O. Box 180, Frederick, Md. 21701

Statement
by
Allen Davis, President
before the
Committee on Agriculture
U.S. House of Representatives
September 18, 1989

Mr. Chairman, I am Allen Davis, a corn, soybean, wheat and hog farmer from Kent County, Maryland and currently serve as President of the Maryland Grain Producers Association. I appreciate having the opportunity to come before your Committee today and discuss concerns by the Maryland Grain Producers on the 1985 Farm Bill and points for consideration in the development of the 1990 Farm Bill.

Through the 1985 Food Security Act, a tremendous step was made in the development of the Export Enhancement Program and the lowering of the support prices which very effectively held U.S. grain out of the export market trade. Programs toward market oriented policy, such as Export Enhancement have enabled U.S. farmers, through renewed export trade, to create a $35.2 billion, positive trade balance for 1988. Through this increased demand for our grain, a 53% reduction in federal expenditures for government subsidies has taken place over the past four years.

Until the world grain trade can lay aside subsidized farm policy, our grain producers need the U.S. Department of Agriculture to aggressively pursue overseas grain markets in order for our industry to survive and we urge the renewal of this program.

Increased flexibility to allow planting of non program crops has been called for by Maryland Grain Producers. A change from the 1985 Farm Bill whereby a farmer can increase his planting of oilseeds (or other non-program crops) in order to respond to true, open market based decisions or to better facilitate crop rotation plans without disturbing his acreage bases would be most helpful. This move will enable farmers to participate in true, open market decisions rather than remain dependent on government program benefits. However we strongly oppose the development of a flexibility option if it merely serves the Administration as a back door method of cutting program spending. The agriculture budget has led the way in helping to reduce the federal budget deficit in past years.

While the decrease in support prices in the current act has returned us to a competitive position in the world train trade, a simple continuation in the lowering of the supports is not necessary in new legislation. The Maryland Grain Producers urge that all support prices and loan rates remain as they are. If perhaps inflation should begin to increase, a clause could be entered allowing target prices to adjust in order to keep up with costs of production.

Since the drought of 1988, crop insurance has received much attention. Crop insurance could be a valuable risk management tool for grain producers if its benefits are kept current with production costs. The yields rates that are used by crop insurance and the ASCS need to be updated, or if not, the opportunity given farmers to prove their yields.

A comprehensive study on crop insurance was completed by Maryland Department of Agriculture in 1988/89. Copies were sent to our congressmen with full support of the Maryland Grain Producers. Crop insurance program will greatly benefit from the proposals listed in this report.

The Maryland Grain Producers strongly support the continuation of the Sugar Program in the 1990 Farm Bill. Our sugar industry of which used 560 million bushels of corn in 1988 has our third largest consumer, is served by this program which is written to create no cost to taxpayers and delivers sugar to consumers at a fair price.

Exciting new uses for our grain such as degradable plastics, soy ink and ethanol deserve whatever support we can give them and encourage Congress to act in their favor.

Environmental concerns are at the point of much attention by the public today. Many of these concerns have been gaining the attention of farmers for over a decade as they began to culminate into legislation such as mandatory conservation plans and construction of waterways and sediment retention ponds on our farms. Ground water contamination is a specific topic of concern by farmers as well as the public. Maryland Grain Producers strongly urge Congress to provide funding to our land grant universities, National Science Foundation, and the Academy of Sciences to research this problem with proven, unbiased procedures in order that we can obtain reliable data to base future practices of chemical usage. We cannot allow the special interest group hysteria that is purging our media with scare tactics to influence future legislation. This issue can be properly addressed after sound, scientific research has been conducted by qualified institutions.

In closing I will state my utmost concern for the future of agriculture. The level of bureaucratic paperwork and procedures that are demanded of farmers has grown so that it literally stifles the operation of our farms. Our farm plans must be free for rapid adjustment for weather and other conditions in order to get timely field operations completed. Currently, we have conservation plans which require approval by Soil Conservation. Proposals are being made by environmental groups that farmers submit a plan for pesticide usage. The Amnerican grain producer cannot exist under this type of bureaucratic regulation and we urge your Committee to keep this under consideration when developing the 1990 Farm Bill.

There are many issues I could raise today in these hearings, but in the interest of time, I must resist. Again, I thank you for this opportunity to express these opinions on behalf of the Maryland Grain Producers Association.

Allen Davis, President

MARYLAND FARM BUREAU
1990 FARM BILL STATEMENT
Presented to:
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE
September 18, 1989

MR. CHAIRMAN AND MEMBERS OF THE HOUSE COMMITTEE ON AGRICULTURE, I AM ROBERT WILSON, PRESIDENT OF MARYLAND FARM BUREAU. AS A GENERAL FARM ORGANIZATION, FARM BUREAU REPRESENTS ALL PHASES OF AGRICULTURE. OUR STATEMENT WILL BE BROAD IN NATURE. SPECIAL INTEREST AND COMMODITY GROUPS ARE IN A BETTER POSITION TO COMMENT ON THEIR SPECIFIC AREAS OF INTEREST.

It is my pleasure to present testimony not only on the effectiveness of the Food Security Act of 1985, but also more importantly, issues to be considered in the 1990 Farm Bill.

The Food Security Act of 1985 has been modestly successful in meeting the objectives that Farm Bureau supports. Over the past several years farm income has increased to a level that offers greater stability and optimism than there was in 1985. However, the higher level of income should not be confused with a fragile state of the agriculture community in Maryland. largely due to escalating land prices caused by urban pressures.

The Farm Security Act also helped to regain competitiveness in world markets and increased domestic usage of our products, by setting loan rates for program commodities at a percentage of the average market prices. Compounded with the favorable adjustment in the value of the dollar and export programs (EEP and TEA) we have regained sales in the world markets.

Carryover stocks have been reduced by voluntary acreage reduction programs along with aggressive use of commodity certificates. The reduced stocks are less likely to depress commodity prices.

The principal goals for the 1985 law - income protection. stocks reduction, international competitiveness, and reduction in farm program cost - have been accomplished for major commodities to a large extent, but the job is not complete.

With many of the provisions of the 1985 Farm Bill expiring at the end of 1990, it is important that a new Farm Bill continue to establish a long term direction for agriculture. Hopefully, the new Farm Bill will incompass Farm Bureau's goals of - improving net farm income and enhancing economic opportunity by continuing a market-oriented agriculture with supply and demand, rather than government action.

Currently, Maryland Farm Bureau is working on the 1990 Farm Bill through our Policy Development Procedure. County Farm Bureaus' will submit proposed National Policy for Maryland Farm Bureau's approval by our delegate body at our convention. Likewise, Maryland Farm Bureau will, inturn, send proposed National Policy to the American Farm Bureau Convention. At the conclusion of the convention our final position on the Farm Bill will be completed.

Some specific preliminary ideas on the Farm Bill follow:

PROGRAM FLEXIBILITY - Maryland Farm Bureau supports total flexibility among program crops - wheat, feed grains, and oil seeds. Farmers have been reluctant to plant non-program crops in order to protect their acreage base of a program crop. For example, the current feed grain base has prohibited soybean production because of the benefits of the Feed Grain Program. The market price for soybeans has not been sufficiently high to bid acres out of the feed grain benefits, resulting in a loss of base acreage.

Also, the flexibility should not effect specialty crops. More flexibility would give a producer a better opportunity to rotate crops, which is more environmentally sound, adjust to current market and supply situations, and provide easier management due to weather conditions.

TARGET PRICE REALIGNING - Discussion has been developed to iniatiate target price realignment based on the cost of production. Currently, we would not be in favor of realigning target prices in regards to geopraphic areas. Although target prices are not in line with production costs, the difference in production costs are too great between those geographic areas to attempt to change.

TARGETING OF BENEFITS - Recent proposals to revise farm policy have occasionally suggested shifting the means of income support to a method that would provide greater levels of support for smaller producers. Such an approach appears to be founded on the assumption that current payments are being distributed to producers who don't need them. The result is that smaller farms would receive higher levels of support, and those benefits would decline for those commodities produced in excess of certain predetermined trigger levels.

We oppose targeting benefits to small producers or allowing a pro-rated program based on volume of production. The objectives of a farm program may not be achieved due to large producers not participating, which in turn, may create an unstable ag economy. Also, the farm program would be fundamentally changed from a production and market-oriented program to a social benefit program, of which we do not support.

UNITS OF PRODUCTION - Current Farm Program benefits regarding crops are paid to producers ultimately based on acreage, farm base acreage times program yields. We would not be in favor of changing this to paying benefits based on a per bushel or pound production. The reasons being (1) due to different production costs. (2) different yields in different areas and (3) sends a signal to produce as much per acre, which may not be the best approach environmentally.

However, we do support the use of proven yields where they have been established.

THE FARM BILL AND LOW INPUT SUSTAINABLE AGRICULTURE (LISA)
Concerns about possible contamination of groundwater and the environment by agricultural chemicals are currently the driving forces behind the push for LISA. In the late 1960s and early 1970s the buzzword was Integrated Pest Management (IPM) which was also viewed as a way to minimize costs, risks. liability and total dependence on farm chemicals. Unfortunately, there are a lot of crops for which IPM programs have not yet been developed. Research money and IPM emphasis at USDA has dried up. Also, higher chemical costs have already driven many farmers to reduce inputs and optimize chemical use.

We support continued funding for Integrated Pest Management Systems (I.P.M.). IPM has been a proven technology so far and not all of I.P.M.s possible uses have even been recognized or put into practice. Computer programs that incorporate I.P.M. (ie. orchard production) are still being created and revised.

Although we are not opposed to the potential concepts of LISA technology and lower inputs. we are opposed to becoming regulated by an unproven technology.

In the long run. adequate food supplies may not be possible should there be an elimination of chemical and fertilizer usage. Although, the information created by low input agriculture research will be useful, for a farmer, his bottom line financially will be the deciding factor as to his participation with low input agriculture.

GROUNDWATER AND PESTICIDES - The general public has real, perceived and imaginary questions about pesticide use on agricultural crops. These questions and lack of knowledge about pesticides can lead to fear and to anti-technology activism. Farmers have questions about the proper use of pesticides. the liability they might incur, what to do about proper material handling, the disposal of used pesticide containers and environmental and safety concerns.

We feel there is a need for even more research and education on how to prevent groundwater contamination. We have the science to know what is there. However, what we need is the best science/practices to keep the chemicals needed for production agriculture from reaching the groundwater.

In the meantime, farmers should not be penalized and/or be held liable, for groundwater contamination provided they used the pesticide according to recommendations approved by the E.P.A.

CONSERVATION RESERVE PROGRAM (CRP) - Discussion has centered around possible criteria and goal changes to the CRP Program. One question has been whether or not to expand the goal beyond forty-five million acres enrolled into the program. We are opposed to expanding the goal. First, we have not reached the current goal and changing it would not only be premature, but also be a budgetary concern. The expanded cost could compete for funding of other U.S.D.A. programs.

Our position is to suggest to maintain the current criteria of the C.R.P. as it would relate to the 1990 Farm Bill.

DAIRY - Maryland has been, and will probably continue to be, a milk deficit state. Even though higher differentials and present price levels are still not generating an adequate year around supply for the state, we would like to see the present geographic Class I differential maintained. The differentials are economically sound and better reflect market conditions.

Our major emphasis would be to continue the Dairy Price Support Program through the CCC purchases of butter, nonfat dry milk and cheese. The primary stated objective of this program is to support the price of milk at a level that will assure an adequate supply of milk to meet current needs, reflect changes in cost of production, and assure a level of farm income adequate to maintain productive capacity sufficient to meet future needs. We would also like to see the purchase based on whole milk equivalent rather than fat, and lastly, we would not encourage a Supply Management Program that would reduce the premium we receive for being close to high population areas.

CROP INSURANCE - This past year Maryland Farm Bureau participated in the state's Task Force on crop insurance. The Task Force reviewed several problems, including inadequate coverage and the delivery system.

For crop insurance to be successful in the future, considerations are going to have to be given to disaster aid. In other words, farmers are not going to participate when a diaster program is available. We agree with the statement made by the Commission for the Improvement of the Federal Crop Insurance Program "that producers have an interest in being able to insure their investment at a reasonable cost, provided the insurance product marketed covers the cost of production."

Finally, in the beginning of my testimony I made a comment that the agricultural community is fragile. In respect to high land prices. due to urban pressures, to a farmer, the land is only as valuable as long as what is being produced has a value. The 1990 Farm Bill will certainly set the standard for how valuable our livelihoods are.

MR. CHAIRMAN, I APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE THE HOUSE COMMITTEE ON AGRICULTURE. THANK YOU.

Maryland Association of Soil Conservation Districts

Testimony presented to
The House Agricultural Committee
September, 18 1989

Mr. Chairman, members of the committee, my name is Royden Powell III and I am President of the Maryland Association of Soil Conservation Districts (MASCD). MASCD represents 120 district supervisors who set policy for the 24 soil conservation districts in the state. These districts play a very important role in the protection of natural resources, both in rural and urban areas. I would like to thank you for inviting me to testify before you today on the 1990 Farm Bill.

Soil Conservation Districts are very unique in the manner in which they serve the citizens of the United States. District operations involve Federal staff and dollars, as well as State and county staff and dollars and as independent agencies, district supervisors must establish priorities to ensure that the long term goals of their districts are carried out. In Maryland we have a strong commitment from the State and many county governments for soil and water conservation primarily as a result of the Chesapeake Bay cleanup efforts. This commitment has meant a great increase in the workload of the districts. This additional workload has been supported only in part by additional dollars.

MASCD has been very supportive of the Conservation Title of the 1985 Farm Bill which linked Federal Farm Program eligibility to protection of Soil and Water. This is, in effect, a voluntary incentive program and we have seen in Maryland, that the carrot approach works far better than the stick. Maryland districts have completed soil and water conservation plans for highly erodible land in the state, and it is anticipated that we will be able to complete the implementation of these plans by 1992. This is at a time when Maryland has several state commitments. These include: (1) the requirement for a Soil and Water conservation plan on all farms within the critical area (a State designated area which is 1000 ft from tidal waters or tidal wetlands) , (2) a desire to have a conservation plan on all farms within priority water sheds by the year 1992, and (3) a plan on all farms within the state by 1997, an ambitious task indeed. Many of our districts will also be heavily involved in the States new Wetlands law and many of our urban counties spend a high percentage of their time approving sediment control plans. Our districts are already overloaded with this very important work. It is critical that additions to the current workload, which might occur because of language in the 1990 Farm Bill, be assigned additional dollars and staff. Moreover, the districts rely heavily on the technical expertise of the SCS employees to train State and Local employees. Only if USDA continues to be funded at its current level can Maryland Soil Conservation Districts expect to continue to fulfil the requirements of the 1985 Farm Bill.

One of the major success stories of the 1985 Farm Bill has been the Conservation Reserve Program. The original program did not attract many acres in Maryland. There were several reasons for this lack of participation including high land value due to urban development pressure, and an uncertainty about long term agriculture because of poor crop prices and in some areas, concern over Critical Areas legislation. The limited amount of highly erodible land also limited activity in the program. However, when the program was expanded to include buffer strips along stream banks, an extremely important issue for this State, participation began to improve. The big boost to this program began when the Maryland legislature approved $40,000 per year for a piggy back program to provide additional annual rent payments of $20.00 per acre for participants in the CRP. Maryland once again showed a commitment to soil and water conservation by teaming with the Federal program to protect water quality in the State. Last year another $25,000 was allocated by the Department of Natural Resources to provide a one time payment of $100.00 per acre for land in the program that is planted in trees.

Up to the 8th sign up in the CRP, Maryland landowners had signed up 11,331 acres. It is our understanding that nearly 6000 acres were signed up at the 9th sign up which closed in August. Most of this acreage was for buffer strips along stream banks. We are very concerned that the last sign up has not been approved and announced. We are distressed that congressional action has caused this delay, but more so that the program may be cancelled, regardless of its success. In this latest sign up, all of the State piggy back and tree planting funds were allocated. MASCD asks that you support continuation of this very successful program so that with the additional support of our State we can continue to protect our natural resources by removing this sensitive land from production. We still have more acres that need protecting in this State, and Nationally we are only 3/4 of the way towards reaching the original modest goal to protect 45 million acres. Congress has found a winner with this program, let us see it continue until the task is complete.

The success of the Conservation Reserve Program does raise a concern for the future of the land that has been signed up in the program. This sensitive land could be put back into production if there is not a follow up program developed to discourage this activity. We believe that serious consideration should be given to this issue in the next five years.

MASCD believes that the Food Security Act of 1985 established some excellent programs to protect soil and water. We would request that no major changes occur in the 1990 Farm Bill. Minor changes such as allowing poor quality grassland to be planted in trees and extending the length of the contract on all areas planted in trees to 15 years, would improve the program.

The Conservation Compliance Program is working in Maryland, and we see no need to change this program as long as conversation plans are updated to reflect current farm conditions and that a farmer is not penalized for changing the operation that he has on his farm.

The Sodbuster and Swampbuster programs have limited effect in Maryland as Swampuster is overshadowed by Maryland's new wetlands law and we have little highly erodible land unlike the mid-western states.

MASCD would like to see emphasis on programs in the 1990 Farm Bill to protect surface water and groundwater. Research and education should be a major component of any initiative in this area.

Again, I would like to thank you for the opportunity to speak to you today and I will be pleased to answer any questions. Thank you.

TESTIMONY OF HANK SPIES

PAST PRESIDENT

MID-ATLANTIC SOYBEAN ASSOCIATION

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

SEPTEMBER 18, 1989

EASTON, MARYLAND

I'm Hank Spies, a soybean farmer from Cordova, Maryland where I've farmed for decades. I'm past president of the Mid-Atlantic Soybean Association and am active in the American Soybean Association.

Soybean farmers on the Eastern Shore very much appreciate that the Chairman, and other distinguished members of the Committee have come today to our part of the country to listen to farmer concerns and challenges. The decisions you make greatly affect our farming future.

Congressman Dyson serves on the House Wheat, Soybean and Feed Grains Subcommittee and is an active leader for soybeans in Washington. We appreciate his understanding of farm issues and respect his leadership.

Today I come before you to discuss crop insurance. Crop insurance is very important for soybeans in Maryland and across the country. It is an important risk management tool. Unfortunately, many farmers do not participate in crop insurance because the costs outweigh the benefits. It's time that the crop insurance program be revamped, with its best features retained and improvements made where needed. A sound crop insurance program which encourages voluntary participation is highly desirable. I strongly oppose requiring farmers to purchase crop insurance as a condition of eligibility for farm program benefits.

Congress recognized the problems facing crop insurance when it created the national Commission for the Improvement of the Federal Crop Insurance Program. The Commission's report offers recommendations which merit serious consideration.

Before I discuss several of the Commission's recommendations, I want to stress an important point which is not in the report. Full and double cropped soybeans should be considered as separate crops since they have different risk levels and involve different farming practices. Farmers should be able to purchase separate policies for full and double cropped soybeans, even on the same farm. They should not have to purchase coverage on both.

ASCS Yields: The report recommends that ASCS yields be updated for crop insurance purposes to accurately reflect action production. Now it is confusing having different FCIC and ASCS yields. Soybean farmers support legislation in Congress to require ASCS to accept actual yields if the producers want to report them. It is important that if ASCS is directed to update program yields for crop insurance purposes that they also be required to gather actual soybean yields also at the discretion of the producer. Coverage based on actual yields will help encourage greater participation in the program.

Voluntary Yield Plans: The Commission recommends offering farmers the choice of different yield plans. Since soybeans are not considered a program crop, a soybean farmer could choose to use actual yields as reported to ASCS, or participate in an optional modified APH program based off 5 or 10 years of certified yield history. This is a good recommendation since it gives farmers a choice, doesn't penalize farmers who don't have historical certified yields, and allows farmers to utilize more realistic yields.

Importantly, this provision should help attract participation of higher-yielding, lower-risk farms.

Price Election Levels: The report proposes sound ideas on ways to determine the maximum price election level. I like the idea of giving farmers the choice of determining which method. For example, some may like the futures market-based price election level while others may prefer a level based on variable production cost. If variable production cost is used, please consider adjusting the cost to a county, state or regional basis.

Farm Unit Definition: Soybean farmers today are very concerned about their inability to insure individual farm units separately for the same commodity. The Commission recommends that a premium rating policy be applied to the entire farm, including division of units, and then permit a rate reduction for unit consolidation. For soybeans, it should be considered that there is a need for unit division when full and double crop soybeans are grown on the same farm. This is not specifically addressed in the recommendations. Units should also be able to be designated in units smaller than the ASCS serial number to accomodate cash rent situations.

Prevented Planting: It is important to have a meaningful prevented planting policy for soybeans, including excessive moisture. Farmers should have the option of buying a separate policy for prevented planting coverage.

Late Planting: The Commission's recommendation to provide an extension of final planting dates for 10 days is a positive step.

Thank you for the opportunity to tesitfy today. I welcome any questions you may have.

Mr. Steven H. Walter - Panel 5

Tobacco has been the major cash crop for farmers in Southern Maryland since the early 1800's. This crop has played an important role in the development of a strong economy, as well as a long standing tradition with many family farms throughout Southern Maryland. Our forefathers raised this crop and learned the many cultural practices and as agriculturalists today, we still use their techniques along with today's technology to increase production.

In the past eight years, tobacco production has declined from 25 million pounds in 1980 to 11 million pounds in 1988. Many factors have contributed to this decline, such as the implementation of anti-smoking regulations in public facilities, low market prices, increased value of agriculture land for development, dwindling labor supply, cheaper supply of tobacco from foreign countries ratio of young farmers to older farmers declining and large capital investment to get operation started.

Farmers have taken the time to reevaluate their operation and made steps towards extensively diversifying their operation with some alternative forms of agriculture. Such areas include vegetable production, aquaculture, livestock, cut flower production, nursery operations, hay and straw and pick your own. These alternative forms of agriculture allow farmers to supplement their tobacco income and continue farming.

There is a need for better marketing of Maryland tobacco on the foreign market. Such countries as Taiwan, Asia, Korea have shown considerable interest.

Another area for research and testing is the use of tobacco in medically proven products. Mr. Robert L. Erwin of Biosource Genetics Corporation in Vacaville, California has been doing extensive work in this area and feels this would be a plus to the tobacco industry if found successful.

In conclusion, tobacco will continue to be grown by Southern Maryland farmers until they feel it is no longer feasible.

RURAL DEVELOPMENT
PAUL L. PHILLIPS
Woolford, Maryland 21677
301-228-4619

Before the
Agriculture Committee
U.S. House of Representatives
Concerning
The Food Security Act of 1990
September 18.1989

My name is Paul Phillips and I live at Woolford, Md. (21677). All my life I have been a plain dirt farmer. I grow the general crops of this area. In the past I have had some sideline involvements that were more profitable than farming.

Many thanks for visiting our area - we are making history today. Also, I thank you for the privilege to testify on this important subject.

Each week for the past fifteen years I have written a column for the News and Farmer that goes to farmers throughout the "Eastern Shore."

Nearly every farmer benefits from the various farm and food programs. Some farmers receive a check direct; others receive help indirectly thru the school lunch, food stamps, etc.

The funds to support these programs must compete with non farm programs.

You as individuals and as a committee are on the front line and have a better feel for this competition than anyone else.

I hope you will look ahead and scan the horizon for future funding problems that may restrict or eliminate the farm programs. If you see danger please give the farmers advice so they will have a guide for their long term planning.

Some of the great lessons we have learned life did not involve money; much of our success could not be purchased with money; there are some farm programs that have a zero cost or "peanuts" cost.

COMMUNICATION

Electricity was brought to Rural America by the REA. This is one of the most creative acts passed by Congress. When telephone was added to REA citizens both Urban and Rural had access to both electricity and telephone.

We need to move the REA forward into Cable TV to carry education, sports and entertainment to Rural America. Rural constituents need it, they deserve it and they are waiting.

All America should have access to electricity, telephone and Cable TV.

Rural America is waiting.

EDUCATION

The end of World War II is a good benchmark to mark the beginning of a revolution in education beyond High School.

Prior to this time a graduating Senior packed a trunk, went to college and lived in a dormitory. Today most college students sleep at home each night, have a job and make good grades. Many are taking courses to get a promotion at their present place of employment or getting better equipped for a more responsible job with another employer.

Many of the State facilities are too far away for Rural citizens to receive these educational benefits. State operated facilities seem to spend and grow in one spot versus operating satellite facilities.

Many rural residents are cut off because of distance. How far can a student travel to improve their education to make them eligible to better support their family? Should the round trip be 50, 60, 70, 80 or 90 miles. Somewhere there is a reasonable figure.

Rural education may not be within the responsibility of the Agriculture Committee. However, every member votes on the funds that flow to the State Universities and Colleges. I strongly suggest that consideration be given to putting some strings on these funds Congress ships out of Washington to these State institutions - require some satellite facilities to serve Rural America.

Rural America is waiting.

The above ideas are important. They represent Education and Communication. These are basic needs of Rural America that can be set in motion by Congress.

Rural America is waiting.

Thank you for your time and attention.

TESTIMONY OF ALAN L. BRAUER SR.

BEFORE THE

HOUSE COMMITTEE ON AGRICULTURE

SEPTEMBER 18, 1989

Mr. Chairman, I am Alan Brauer Sr., Master of the Maryland State Grange, the oldest agricultural organization in Maryland. I am a dairy farmer in Rocky Ridge, Frederick County, Maryland. I am a member of the Maryland Farm Bureau, serve as a member of the Maryland Agricultural Commission, and also am the immediate past chairman of the National Grange Agriculture Committee.

I am pleased that you, Congressman Dyson, and other members of your committee are here today providing us with this forum to express our views on the 1990 Farm Bill.

As a dairy farmer I have been in a partnership with my father since 1962. We own and operate a 218 acre farm and have seen many changes in farm policies. My son, now age 12, tells me that he wants to have an occupation where he can make more money. It is with this thought in mind, accompanied with the knowledge that those engaged in production agriculture have now dwindled to almost 2 % of the population, that I now address portions of the 1990 Farm Bill.

The Grange believes that the bulk of the benfits of Federal Farm Programs should be targeted to the medium-sized traditional family farm. Those farms with a gross income of $40,000 -$1.5 million and who are solely dependent upon their farming enterprise for their income. These are the farms that help maintain the vital economic activity of rural America.

We further believe that as farmers increase their production into larger farming units, the benefits from government support programs should decrease. Society does not benefit from farm programs that equally support a large farm's first and last unit of production.

The remaining smaller farming units with annual incomes of less than $40,000, include part-time farmers and those farm families that have a secondary income. This group of farmers may not participate in government programs now, but they are becoming increasingly more important as producers of minor crops. Therefore, this group must be targeted as recipients of program benefits if production and marketing of Low Imput Sustainable Agriculture (LISA) is to be successful.

Greater funding for research and education in LISA programs is neccessary. New enterprises are being established almost daily, but run the risk of failure because a support system is not in place that can sufficiently advise producers as they venture into these new, specialized areas.

The Grange believes that there must be greater flexibility between commodities. We believe in voluntary production controls that are market driven rather than mandatoary production controls. Farmers must be allowed to produce crops that are in demand by the market place without fear of losing historical crop bases. If historical production units must be recorded, we believe that total farm production acerage should be used instead of individual crop acres. The ultimate goal of government farm programs should be to encourage commodity production based on market demand. We need to discourage commodity production built around the consrvation of historical crop bases.

In the area of Dairy Policy, the Grange believes that the Milk Support Price System should be used as a net for producers and not be used as a guaranteed income. We support a milk supply management program that recognizes regional differences based upon the amount of production available to markets or percentage of production which could be allocated to CCC Stocks. Any supply management program should be voluntary, meeting the needs of both fluid and manufacturing markets.

We support the Federal Milk Marketing Order Program and oppose changing the clasification of reconstituted milk.

We also support a more accurate way of calculating surplus milk destined for CCC purchases. Calculations should be made by using total solids rather than on a milk fat basis.

In conclusion, I would like to thank you for allowing me to testify on such an important topic. By working together, we can establish a Fram Policy that will continue to benefit both the consumers and the agricultural producers.

Alan L Brauner Master
Maryland State Grange

TESTIMONY

OF

DOUGLAS G. SITES, JR.
MANAGER-MEMBER SERVICES
CHOPTANK ELECTRIC COOPERATIVE, INC.
DENTON, MARYLAND

BEFORE THE
U.S. House of Representatives
Committee on Agriculture
Field Hearing
Easton, Maryland
September 17, 1989

CHOPTANK
ELECTRIC
COOPERATIVE

"OWNED BY THOSE IT SERVES"

BOX 430 • DENTON, MARYLAND 21629-0430 • TEL: (301) 479-0380

Mister Chairman, Members of the Committee, I would like to thank you on behalf of the residents of Maryland's Eastern Shore for scheduling this hearing on issues related to the 1990 Farm Bill here in Easton. I would also like to recognize 1st District Congressman Roy Dyson for his efforts in helping to ensure a better future for our state and its citizens.

For the record, my name is Doug Sites and I appear before you as the Manager-Member Services for Choptank Electric Cooperative which is headquartered in Denton, Maryland. Choptank Electric is one of nearly 1,000 rural electric cooperatives that serve over 25 million Americans in 46 states. Choptank serves over 31,000 consumers in the nine counties of the Eastern Shore of Maryland.

In the invitation to appear before this committee, comments were solicited concerning rural development policies as well as issues, ideas and trends that should be considered in the next farm bill. Perhaps one of the most alarming trends that is sweeping the rural areas of our Nation is the lack of development, the migration of young promising minds to urban areas, the lack of educational opportunities that are equal to urban areas, and other occurences that would indicate that Rural Americans are not enjoying the same degree of prosperity as their urban counterparts.

I must point out at this time that we here on the Eastern Shore, for the most part, are extremely fortunate. While there areas and industries of the Shore that are suffering hardship; we have many of the services and opportunities that are so necessary for growth. There are, however, countless rural communities across this Nation that are suffering desparately. My comments today are indeed on behalf of the Eastern Shore of Maryland; they are also in great measure on behalf of struggling rural areas nationwide.

On June 8, 1989 Mr. Bob Bergland, the Executive Vice President of the National Rural Electric Cooperative Association, testified before the House Subcommittee on Conservation, Credit, and Rural Development. In his testimony Mr. Bergalnd pointed to five specific recommendations for new rural development legislation. While neither Choptank Electric Cooperative, nor Southern Maryland Electric Cooperative (on Maryland's Western Shore), are currently engaged in formal rural development programs; there is every reason to believe that this could happen in the future. By developing far reaching rural development legislation and programs you will be providing us with the tools that we need to provide assistance to our members.

Our Nation has in place a group of organizations that stand ready to serve their communities. That is exactly what most of them have been doing for over 50 years. Rural electric and telephone cooperatives are an ideal means for funneling expertise and technology to communities that are striving to build their economic base.

To maximize the effectiveness of these "in place" assets, it is suggested that an Economic Development Unit be established at the

Rural Electrification Administration. This small unit could provide leadership and technical assistance in the area of economic development. This intiative could be implemented with little or no impact on present REA budget levels. REA's leadership in this sort of endeavor could well be a catylist that would assist in focusing the expertise of the REA financed cooperatives in their commitment of resources for economic development in their communities.

The second suggestion made by Mr. Bergland was in the area of education. In many instances rural school systems cannot offer their students as broad a base of learning experiences as a result of lack of resources. Often this puts rural students at a disadvantage, particularly in the areas of math, sciences, and languages.

Rural development efforts need to address these needs in providing top quality education to our rural students. One possibility is the use of telecommunications systems. This is a program that many rural electric cooperatives have been instrumental in implementing. Last year the National Rural Electric Cooperative Association began working on a "STAR SCHOOLS" project. Under this proposal, funding would be provided to organizations (including rural electric and telephone cooperatives, the National Rural Telecommunications Cooperative, educational institutes, etc.) which would enter in partnerships with schools to increase learning opportunities through the utilization of telecommunications technology.

A third proposal targets the need for diversification in rural economies, growth in the rate of rural business formation, and the necessity of bringing new technology, business acumen and icreased financing opportunities to rural communities. The formation of "rural business incubators" is being viewed as a way to provide new and emerging businesses with assistance during their critical early months or operations. The benefits would include: affordable rent, shared administrative services, access to management advice, and other vital needs so necessary to promote growth but may well be unavailable to new rural businesses.

The "rural business incubator" program is one in which several rural electric cooperatives have already embarked on. In the our neighboring State of Virginia, for example, Southside Electric Cooperative and Mecklenberg Electric Cooperative are currently undertaking a joint effort in a small business incubator. The concept is being well received in their service areas, response has been good, and hopes for success are high.

It is also felt that consideration needs to be given to the limited access to capital in some rural areas. Again I must say that this is not necessarily a problem to the service areas of the Maryland Cooperatives; however, in other states it is an obvious problem. This is evidenced not only by the undeniable discrepancy in the number of businesses formed in rural areas as opposed to urban, it is also supported by data developed by rural electric cooperatives and forwarded to NRECA.

One solution to this could be the modification of the current "Section 12" Program currently offered through REA. This allows REA borrowers to defer loan payments as an incentive to make low cost loans to consumeers for energy conservation (participation in this program is closely monitored by REA). In modifying the existing program to allow for small business loans; REA would be stimulating rural growth at a very small cost to the government. (Please remember the key to this proposal is the word deferment of payments for loans meeting a specified set of criteria.)

The final recommendation would be the provision of a small amount of loan funding available to rural electric systems so that they could form rural water and waste systems. Once again this is not a program that would affect Maryland; however, many other states are severly affected by the lack of these facilities. The lack of adquate services will quickly turn a prospective firm from one community to another. By utilizing rural electric cooperatives to assist in developing, and then work closely with, rural water systems; local rural communities could become more competitive in the market for new industries. They would now be able to offer standard utility operations and take advantage of economies of scale.

Mr. Chairman, should you desire further detail on any of the proposals mentioned to day, it would be my pleasure to contact NRECA and forward the information to you as soon as possible.

In closing, I would be out of order if I did not thank the Congress for their support of the rural electrification program. It is leadership such as has been demonstrated on behalf of rural electrification that will allow us to face the challenges facing Rural America today. Once again I commend you and Congressman Dyson for coming to the charming community of Easton to hold this hearing. Thank you.

FORMULATION OF THE 1990 FARM BILL

SATURDAY, NOVEMBER 4, 1989

House of Representatives,
Committee on Agriculture,
Fresno, CA.

The committee met, pursuant to notice at 9:10 a.m., in room UC-200, California State University at Fresno, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Espy, Condit, and Herger.

Also present: Representatives Lehman of California and Pashayan.

Staff present: Joseph Muldoon, assistant counsel; Marshall Livingston, clerk; and Julia W. Kogut.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. Good morning. The meeting will come to order. We are very happy to be in California and in Fresno for this meeting of the House Agriculture Committee, to take testimony concerning the 1990 farm bill and any other item that might be of interest to the witnesses that we have lined up for today.

Let me mention that this meeting originated some time back and we were working with the then-Congressman from this area, Congressman Coelho, who was a valiant member of our Agriculture Committee.

We have the privilege now to be working with his successor, Congressman Condit, who is also now on our Agriculture Committee. We are very happy to have him and we know that he will make a very worthwhile contribution in the years in which he will be serving you in the Congress.

We also have other members of our committee here, Congressman Espy, from Mississippi who represents the delta area in Mississippi; and Congressman Wally Herger, your neighbor to the North. I don't know how close a neighbor you are, but he represents northern California.

We have also invited your area Congressman, Rick Lehman, to be with us and Congressman Pashayan, who also represents the general area. We are very happy to have them join us as we take this testimony.

Let me say that we have listed, I understand, 36 witnesses. We will try to get as much testimony as we can.

Those of you who are here now and have prepared texts, if there is no objection from the committee, we will incorporate your full text into the record and then hopefully you might be able to summarize as you feel comfortable. We will incorporate into the record your full text for the hearing record which will be available to the other members of our committee and to the House in general.

We bring you greetings from all the members of our committee. We wish we could have had all of them here but unfortunately we are spreading out all over the country, and the different subcommittees are meeting throughout the country.

Eventually, we hope that we will have been to most States in the Union as we did for the 1985 act, and hear the testimony of the people interested in all of the facets of agriculture, whether it fits into the general commodity legislation or whether it is a specific concern of you yourself.

We deal with everything agriculture, everything within the jurisdiction that our committee has.

So with that, we would hope that you would cooperate with us to the extent of time available through the day.

I might add that we had hoped to have this hearing split into 2 days, and spend Sunday and Monday visiting as much of the area as we could. Unfortunately, we never dreamt that the House would still be in session this late into the year.

It looks like we may still be there for a while. At noon Thursday we did not know yet whether we were going to be in session Friday or not.

As soon as we found out, we started heading for California. I got here a little ahead of time and Congressmen Espy got here a little later. I do not know when Congressmen Pashayan and Lehman got here but Congressmen Condit and Herger got here about 3:30 this morning. Driving—you drove from San Francisco?

Mr. HERGER. Yes, sir.

The CHAIRMAN. Driving from San Francisco.

I would say it is a tribute to their commitment to American agriculture that two members of the committee would drive in the middle of the night, 3 hours and some, to get to this hearing to be here with you.

I am not going to hear any statement from members except the host member and hopefully later on Mr. Lehman or Mr. Pashayan would have that ability during the questions.

But I yield at this time now to our colleague, Congressman Condit.

OPENING STATEMENT OF HON. GARY CONDIT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. CONDIT. Thank you, Mr. Chairman. I would like to first offer my thanks and praise to you, the chairman, for conducting this special hearing in Fresno.

I am certain that everyone here today would agree that the central valley is the agricultural heartland of California if not the Nation. For this reason it is most appropriate that this hearing take place in the central valley in order to provide those involved in agriculture with the opportunity to be directly involved in what will go into the 1990 farm bill.

I would also like to thank the witnesses here today and interested members of the public for taking time out of their busy schedules to attend this hearing.

I am certain that your expertise and practical experience will better enable the committee to put together a fair, workable piece of legislation.

Before getting started on some of the specific issues which I am concerned with, I would like to say that I have come to this hearing with an open mind; I am here to learn and will be satisfied if I can leave today's hearing with a better understanding of the issues.

I recognize that the Farm Program issues are typically the most complex and controversial element of the farm bill.

On this area in particular, I am here to learn, I would like to gain some insight as to how the farm programs can be operated in a manner to further reduce the surplus; if there is a way to provide growers with more flexibility so as to encourage the planting of crops that are not in surplus; what should be the level of price support, particularly in the dairy industry.

I also understand that there is some movement to prohibit double subsidies or to prohibit growers from participating in farm programs and from purchasing Federal water at reduced rates.

Frankly, I do not view such action as a double subsidy. Farmers pay more for their water. Their costs simply do not include interest payments for infrastructure of the water projects.

Also allowing farmers to participate in the farm project is no different than allowing other industries to benefit from multiple Government programs such as benefiting from Government funding for infrastructure while at the same time receiving tax credits.

The administration is currently involved in the GATT, General Agreement on Tariff and Trade negotiations. I strongly support free trade.

But more importantly, however, I would want to be assured that our U.S. trade policy favors a fair trade policy for all economic sectors and one which does not penalize agriculture.

For example, I want to be assured that the GATT negotiations do not result in a bilateral agreement with countries such as Mexico or New Zealand in which the United States trades away existing commodities exchange for concessions in other economic sectors.

For this reason, I and I am sure other members of this committee will be following the GATT negotiations with a watchful eye on their impact on agriculture.

Recent events and reports have focused media and consumer attention on the safety of the U.S. food supply and on the role of farmers and the industry itself, the Government and consumers and food safety assurance.

The debate has reached a crisis. The agricultural community is losing its long-held position of trust with the consumer. And even supermarkets have engaged in a marketing campaign which claim that they must double check fruits and vegetables for pesticide residue in order to assure consumer safety.

This kind of marketing undermines the entire agricultural community. Regardless of whether this issue becomes a part of the 1990 farm bill, this critical issue needs to be addressed; first by the agricultural industry.

The industry needs to become proactive on the issue of food safety. Specifically it needs to begin to win back the consumer's confidence by educating the public to the fact that the U.S. produces the safest food in the world.

Continue to improve the agricultural industry so as to make the best agricultural industry in the world even better.

For example, by engaging in research of new chemical and farming techniques that respond to increased scientific data available to us while maintaining the world's food supply and our competitive edge in the agricultural market.

Second, and my personal goal on the issue, is to bring farmers together with the environmentalists and consumers in order to provide for a reasonable and rational response to the food safety issue.

Along these lines I would support attempts to increase the penalties for those who normally misuse pesticides; provide for continual review of pesticides even after their use has been approved; speed up the process by which the Environmental Protection Agency can remove chemicals from use while serious safety questions are being resolved; provide for more national conformity regarding acceptability of tolerance levels and insure that our decisions are based upon scientific fact and not upon media hype or irrational fears.

For these reason I oppose the provision of food safety initiatives which would place the power to decide which chemicals are safe within the hands of politicians.

These decisions must remain in the hands of experts who base their opinions on scientific facts.

That is my formal statement, Mr. Chairman and members. I do want to thank you, Mr. Chairman, for being here. I want to thank the members for being here. I know that it was difficult for some of them to come. This is an important issue for us here in the central valley.

We are certainly the largest agricultural congressional district in this country and I think it is appropriate, Mr. Chairman, you and the members are here today so we can better understand the issues that affect farming in the central valley; so that when we draft the farm bill we in the central valley are treated fair.

And, I do appreciate your being here and I appreciate my colleagues, Mr. Pashayan and Mr. Lehman for their support and help for the few weeks that I have been in the House of Representatives.

The CHAIRMAN. Thank you very much.

I would like to invite to the witness table at this time, our friend, Richard Peters, who has been very helpful in coordinating this meeting and assisting in every possible way. Mr. Peters, we are happy to have you here for whatever statement you may wish to make.

REMARKS OF RICHARD PETERS, PETERS FARMS, FRESNO, CA

Mr. PETERS. Thank you, Mr. Chairman. At this point, I am not going to give any testimony. I am here to welcome you as a dear friend, representing agriculture in the State of California, welcome your presence, your interest in our State, which I have had a chance to discuss with you many times. I welcome Gary Condit to the Committee on Agriculture. I am looking forward to working with him and having him keep California in the limelight.

Congressmen Herger and Espy, welcome to California. Congressman Pashayan from our district and Congressman Rick Lehman.

We look forward to working with you today and on behalf of agriculture for the State of California, we welcome you all here today. Thank you very much.

The **Chairman**. Thank you very much and thank you for all of your assistance. We have statements from Congressmen Wally Herger, Rick Lehman, and Charlie Pashayan which we will incorporate into the record and we will hear from them at another time.

[The statements of Mr. Herger, Mr. Lehman, and Mr. Pashayan follow:]

STATEMENT OF THE HONORABLE WALLY HERGER
HOUSE AGRICULTURE COMMITTEE FIELD HEARING
NOVEMBER 4, 1989
FRESNO, CALIFORNIA

THANK YOU, MR. CHAIRMAN.

I WOULD LIKE TO COMMEND THE CHAIRMAN FOR HOLDING THIS HEARING HERE TODAY, AND I ESPECIALLY APPRECIATE THE OPPORTUNITY TO TESTIFY BEFORE MY COLLEAGUES. IT IS PARTICULARLY GOOD TO BE HERE WITH MANY OF MY FRIENDS FROM THE FRESNO AREA AGRICULTURE COMMUNITY.

THIS IS AN IMPORTANT TIME FOR THOSE OF US WHO REPRESENT AGRICULTURAL REGIONS OF CALIFORNIA. AGRICULTURE IN OUR STATE IS VERY DIVERSIFIED, WITH OVER 250 DIFFERENT CROPS BEING PRODUCED. CALIFORNIA LEADS THE NATION IN THE PRODUCTION OF MORE THAN 50 OF THESE COMMODITIES. WHILE THE PAST DECADE HAS SHOWN FARMERS SOME VERY DIFFICULT TIMES, I AM OPTIMISTIC ABOUT WHAT LIES AHEAD FOR CALIFORNIA AGRICULTURE IN THE 1990'S.

THE FOOD SECURITY ACT OF 1985 HAS, I BELIEVE, BY AND LARGE BEEN REGARDED AS SUCCESSFUL IN HELPING IMPROVE THE SITUATION OF CALIFORNIA FARMERS. AS SUCH, I BELIEVE THAT THIS IS THE FOUNDATION UPON WHICH WE MUST BUILD ON WHEN DRAFTING THE 1990 LEGISLATION. I WOULD LIKE TO STRESS, HOWEVER, THAT WE IN THE AGRICULTURE COMMITTEE NEED TO CONTINUE TO WORK DILIGENTLY TO IMPROVE UPON THE 1985 ACT WHEREVER POSSIBLE.

AS WE WRITE THE 1990 FARM BILL IN THE COMING MONTHS, I BELIEVE THERE ARE SEVERAL IMPORTANT CHALLENGES CONFRONTING AGRICULTURE WHICH WILL REQUIRE CAREFUL CONSIDERATION. FOR EXAMPLE, THE INTERNATIONAL TRADE SITUATION HAS BECOME

INCREASINGLY IMPORTANT, AND WILL CONTINUE TO BE FOR THE FORESEEABLE FUTURE. CALIFORNIA PRODUCES OVER 3 BILLION DOLLARS WORTH OF AGRICULTURAL EXPORTS ANNUALLY. THESE EXPORTS ARE VERY IMPORTANT TO IMPROVING OUR TRADE IMBALANCE. I BELIEVE THAT THE NEW FARM BILL MUST CONTINUE TO PROVIDE OPPORTUNITIES FOR OUR FARMERS TO MAINTAIN AND INCREASE THEIR LEVEL OF COMPETITIVENESS IN INTERNATIONAL MARKETS.

AGRICULTURAL EXPORTS HAVE MADE SUBSTANTIAL GAINS UNDER THE 85 BILL. IN THIS TIME OF HIGH TRADE DEFICITS, AGRICULTURE HAS BEEN ONE OF THE FEW AREAS IN WHICH OUR EXPORTS HAVE INCREASED IN RECENT YEARS. THE TARGETED EXPORT ASSISTANCE PROGRAM HAS BEEN INSTRUMENTAL IN ENABLING CALIFORNIA FARMERS TO INCREASE EXPORTS. THIS PROGRAM HAS BEEN UTILIZED BY A WIDE VARIETY OF COMMODITIES, INCLUDING PEACHES, PRUNES, KIWIFRUIT, PISTACIOS, AND WALNUTS, JUST TO MENTION A FEW. THIS PROGRAM HAS BEEN ESPECIALLY SUCCESSFUL IN PROMOTING MANY SPECIALTY CROPS FORM CALIFORNIA IN FOREIGN MARKETS THAT HAVE PROVEN DIFFICULT TO BREAK INTO IN THE PAST. I WOULD STRONGLY ENCOURAGE THE COMMITTEE TO CONTINUE THIS PROGRAM IN AN EFFICIENT AND EFFECTIVE MANNER UNDER THE 1990 FARM BILL.

ANOTHER SUCCESSFUL ASPECT OF THE 85 FOOD SECURITY ACT HAS BEEN THE MARKETING LOAN CONCEPT. CALIFORNIA IS A MAJOR EXPORTER OF BOTH RICE AND COTTON, AND THE MARKETING LOAN HAS ESSENTIALLY BEEN EFFECTIVE IN ENABLING RICE AND COTTON EXPORTS TO BECOME MORE COMPETITIVE IN INTERNATIONAL MARKETS IN RECENT YEARS WHILE ALSO MAINTAINING FARM INCOME. THE CONTINUED IMPLEMENTATION OF THE MARKETING LOAN CONCEPT WILL HELP RICE AND COTTON PRODUCERS TO CONTINUE TO INCREASE EXPORTS IN THE 1990'S. WE NEED TO CONSIDER

MARKETING LOAN WHILE AT THE SAME TIME REDUCING THE COST OF THE PROGRAM TO THE TAXPAYERS.

THE IMPACT ON CALIFORNIA FARMERS OF EFFORTS TO PROTECT THE ENVIRONMENT IS ANOTHER AREA IN WHICH I BELIEVE THERE WILL BE MANY CHALLENGES AHEAD FOR US. WE NEED TO CAREFULLY CONSIDER HOW THE ENVIRONMENTAL OBJECTIVES OF THE NEW FARM BILL COULD POSSIBLY IMPACT FARMERS ADVERSELY AND THEN TAKE APPROPRIATE STEPS TO MITIGATE THIS IMPACT AND RECONCILE CONFLICTING INTERESTS.

I BELIEVE THAT IT IS VERY IMPORTANT TO CALIFORNIA AGRICULTURE THAT OUR FOOD SUPPLY BE PERCEIVED TO BE UNQUESTIONABLY SAFE IN THE EYES OF THE CONSUMER. WHEN INCIDENTS SUCH AS THE UNFORTUNATE ALAR SCARE OF EARLIER THIS YEAR CAUSE FEAR AND CONFUSION AMONG THE PUBLIC, IT BECOMES INCREASINGLY IMPORTANT THAT THOSE OF US ON THE AGRICULTURE COMMITTEE CONTINUE TO TAKE A RATIONAL, BALANCED APPROACH TO THE PROBLEM.

I AM AWARE THAT THERE IS A GREAT AMOUNT OF PRESSURE TO DEAL WITH ENVIRONMENTAL CONCERNS IN THE 1990 FARM BILL. THIS ISSUE OF PESTICIDE USE IS A MAJOR CONCERN OF NATIONAL PROPORTION AT THIS TIME, PROBABLY MORE SO IN CALIFORNIA THAN IN MANY OTHER PARTS OF THE NATION. AS SUCH, I BELIEVE THAT IT IS VERY IMPORTANT THAT WE IN THE AGRICULTURE COMMUNITY TAKE STEPS TO ENSURE THAT OUR SYSTEM OF PROVIDING FOR A SAFE FOOD SUPPLY IS UP TO DATE AND EFFECTIVE, BASED ON THE LATEST SCIENTIFIC EVIDENCE AND TECHNIQUES. HOWEVER, WE ALSO MUST NOT TAKE SUCH STRINGENT MEASURES WHICH WOULD ADVERSELY AFFECT OUR FARMERS, AS SOME IN CONGRESS WOULD SURELY DO. I FIRMLY BELIEVE THAT THE INTERESTS OF AGRICULTURE AND A SAFE FOOD SUPPLY ARE FULLY COMPATIBLE, BUT WE NEED TO CAREFULLY ASSESS THE NEEDS OF BOTH. IN MY VIEW, THE FOOD SAFETY ASSURANCE ACT OF 1989, RECENTLY INTRODUCED BY CHAIRMAN DE LA GARZA AND

OTHER MEMBERS OF THIS COMMITTEE, IS ESSENTIALLY A VERY BALANCED APPROACH TO DEALING WITH THIS CRITICAL ISSUE.

THE CONSERVATION PROVISIONS OF THE NEW FARM BILL ARE ALSO A PRIMARY CONCERN TO MANY CALIFORNIA FARMERS. PROBLEMS WITH THE IMPLEMENTATION OF THE WETLANDS PROVISIONS OF THE 1985 ACT HAVE CAUSED CONSIDERABLE HARDSHIP FOR SOME FARMERS ALL ACROSS THE NATION. I BELIEVE THAT EFFORTS TO PROTECT AND PRESERVE WETLANDS ARE ESSENTIAL, BUT WE ALSO MUST STRIVE TO MEET THE NEEDS OF FARMERS WHEN THIS GOAL CONFLICTS WITH THEIR INTERESTS. SPECIFICALLY, WHEN DRAFTING LEGISLATION IT IS IMPORTANT TO ENSURE THAT THE INTENT OF CONGRESS IS CLEAR, THAT THE IMPLEMENTATION PROVISIONS ARE CONSISTENT WITH OTHER LAWS AND REGULATIONS, AND THAT PENALTIES FOR NON-COMPLIANCE ARE FAIR AND REASONABLE. I STRONGLY URGE THE COMMITTEE TO KEEP THESE CONCERNS IN MIND IN ORDER TO MAKE OUR CONSERVATION EFFORTS FULLY COMPATIBLE WITH AGRICULTURAL PRODUCTIVITY.

MR. CHAIRMAN, THE DEVELOPMENT AND IMPLEMENTATION OF THE 1990 FARM BILL IS OF PARAMOUNT IMPORTANCE TO THE FARMERS OF CALIFORNIA. IT ALSO IS OF INCREASING IMPORTANCE TO OUR SOCIETY AS A WHOLE, AS THE HEALTH OF OUR AGRICULTURAL SECTOR BECOMES MORE AND MORE VITAL TO THE OVERALL PERFORMANCE OF OUR ECONOMY. AS SUCH, I LOOK FORWARD TO WORKING WITH YOU, MY COLLEAGUES ON THIS COMMITTEE, SECRETARY OF AGRICULTURE YEUTTER AND, MOST IMPORTANTLY, THE FARMERS OF CALIFORNIA IN CRAFTING NATIONAL FARM POLICY THAT WILL CONTINUE AND BUILD ON THE SUCCESSES OF THE 1985 FOOD SECURITY ACT. THANK YOU.

RICHARD H. LEHMAN
18TH DISTRICT
CALIFORNIA

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HONORABLE RICHARD H. LEHMAN

STATEMENT BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

FRESNO FIELD HEARING ON THE 1990 FARM BILL

CSU FRESNO, UPSTAIRS OLD CAFETERIA BUILDING

9:00 am, SATURDAY NOVEMBER 4, 1989

Mr. Chairman,

Welcome to Fresno and the Central Valley. Although they are too numerous to mention individually, I would also like to welcome the many farmers, association representatives, local officials and others who have come to testify before this committee. Without their testimony it would be extremely difficult to craft legislation that would be of benefit to them.

It is particularly fitting to have one of the first farm bill hearings in this county, located in the most productive agricultural region in the nation with over $2.4 billion in agricultural product receipts. As you can see from the attendance here today, there is great interest by the farm community in what we in Congress, and this Committee in particular, have in mind for the 1990 farm bill.

Mr. Chairman, I know there has been some concern and a little fear expressed recently that the farm bill won't be written in Washington, but dictated by the events in Geneva. And not only do I agree with your comments that have been published in several farm publications refuting that nonsense, but this hearing today confirms your commitment to asserting the Congress' responsibility to legislate a new farm bill.

However, what this concern does reflect is the role that agricultural trade will play in the coming years. In 1981, after being told that there was a limitless demand for our agricultural products, farmers found that they had produced huge surpluses and we were forced to began searching for ways to reduce production. As production stabilized and the strength of the dollar continued its rise, we saw our markets being taken away by lower-priced, dependable competitors, while stocks continued to climb. In 1985, we still had surpluses and dwindling markets, so we focused on marketing. Even in produce that were not classical surplus crops, vital markets were lost due to changing economics.

The 1985 farm bill, in an effort to improve our trade competitiveness and win back some of the lost markets, saw the development of the Export Enhancement Program and Targetted Export Assistance. Almost without exception, the results we have seen from these programs have been phenomenal. I think what we are going to hear from some of these witnesses here today is that they could not have survived without them. While several factors came together to reduce surpluses, the fact that there was market loss is still a major factor that cannot be ignored. That is why I believe that the 1990 farm bill must continue to keep its focus on regaining markets around the world.

Some say that a free market should be the first priority, but is that what we really need ? Is that really the answer to continue to keep its focus on regaining markets around the world.

Some say that a free market should be the first priority, but is that what we really need ? Is that really the answer to all our problems? Certainly, a freer market is very desirable and we should work toward that goal. But after a decade of serious readjustment, relocation, and redistribution within the American farm sector, our first priority is restoring market fairness and regaining control of a fair market share.

Mr. Chairman, you may recall that last June I testified before the committee and I said that our long term position in the world market place will be defined by our ability to negotiate at GATT. We will have that strength to negotiate if we maintain our ability to regain our lost markets and expand into new ones. At the same time, our farmers must have the production flexibility to respond to changes in the markets and negotiations at the GATT. The TEA and EEP programs have been very successful in that regard and I'd like to see our farm policy continue in this direction. I'll let our witnesses go into the need for these programs and the success that they have experienced in more detail.

Mr. Chairman, I would like to see the farm bill consider the manner in which Federal Crop Insurance operates. It is my understanding that there have been a number of suggested improvements by the Commission organized for that purpose. FCIC's main goal should be to protect its policy holders to the extent that their policy allows, not to minimize the payouts during a crop failure. A recent example of this happened here earlier this fall when heavy rains claimed nearly 25% of the raisin harvest. Some of the destroyed raisins have been sold by the FCIC to processors rather than to distilleries to go through reconditioning, pass USDA inspections and packed only to displaced normal raisins in the market. This makes no sense and harms the growers the FCIC is supposed to protect.

The California dairy industry is well represented here today and I will only make a few brief comments in this regard. I urge the committee to resist attempts to bring disputes over regional production into the farm bill. While there are significantly different needs in different regional milksheds, we need not beat our plowshares into swords over milk policy.

As you know, the USDA's school lunch purchases have been very valuable as a tool to take up the slack for some commodities. In many cases, especially here in California, the USDA's purchases have helped keep inventories for some products from reaching market distorting proportions. Despite the program's success, both as an inventory control measure and as a method to aid schools helping to meet the needs of our children, there is some concern that section 32 funds will be abandoned in favor of the line of credit or cash out system. I would urge the committee to consider the consequenses of fewer school lunch purchases that are likely under the proposed program changes and consider addressing that issue as part of the farm bill.

I would like to reiterate my support for marketing orders and the stability that they create. Recent administrative decisions have questioned nearly every aspect of the use and authority of marketing orders, leading some to call for their dismantling. Mr. Chairman, there is nothing that is wrong with marketing orders that adequate administrative resources can't fix. The Department's inability to prepare and review regulations that provide an order's operating framework should not be an indictment of the entire marketing order system. The context of the farm bill legislation would be an appropriate place for the committee to assert its commitment to maintaining a proven and successful system.

Mr. Chairman, there are a number of specifics that I would like to explore, but I know we have a lengthy list of witnesses to hear from and I want to make sure that they all have a chance to make their remarks. But, before I close I would like to recognize the variety and extent of the agriculture we have here in California. In addition to the fruits and vegetables that we are famous for and that are enjoyed throughout the world, California also produces significant acreages of a number of high quality staple commodities like wheat, corn, rice, cotton and sugarbeets to name a few. As a result, nearly every aspect of this farm bill will have an impact on California. We appreciate the committee's interest in what we believe to be issues important in the next farm legislation not just to California, but to the nation as a whole.

Mr. Chairman, it is my distinct honor, and pleasure, to have the opportunity to serve with you in the Congress and it is equally our good fortune to have you here today. I look forward to working with you as the committee begins the difficult task of writing a new farm bill. Thank you.

STATEMENT OF REPRESENTATIVE CHARLES PASHAYAN, JR. BEFORE COMMITTEE ON AGRICULTURE, NOVEMBER 4, 1989, CALIFORNIA STATE UNIVERSITY, FRESNO

Mr. Chairman, Members of the Committee on Agriculture, I should like to welcome you to Fresno, an agribusiness community at the heart of the world's largest agricultural producing area. The term "agribusiness" was coined here many decades ago, and as the record shows, the San Joaquin Valley has proven itself as a superb provider of food and fiber for our nation and consumers throughout the world.

In your invitation to address this group you placed two conditions. One is to assess the Food Security Act of 1985. Secondly, you asked for an expression of the concerns, ideas, and trends that I feel should be included in the 1990 farm bill.

In my view neither of the conditions you posed can be adequately answered. Hopefully a consensus will be possible.

Titles I through X of the Food Security Act deal with our basic commodity programs: dairy, wool, wheat, feed-grains, cotton, rice, peanuts, soybeans, sugar, and miscellaneous provisions.

The dairy, cotton, wheat, and sugar programs are of high interest in this area, with some emphasis on wool and rice, and no direct interest in the peanut and soybean programs because neither is grown in California.

Dairymen in Kings and Tulare County, which I represent, as well as those in Fresno and Kern Counties which I share with other Members, are generally content with the current program. There is discussion, but not unanimity, on the various two-tier price or supply suggestions. At this time I am not convinced that supply controls are needed for one simple reason: the market price for class 4 milk is above the support price. That is as it should be.

There are those in the audience who will, I am certain, go into this in more detail. I feel most strongly, however, that we do not reauthorize a whole-herd buy-out program.

This is one of the better years for the sale of California's cotton, and wheat sales are adequate. The goal of the Food Security Act of moving toward market orientation is working, and for the majority of the commodities affected by our efforts, it is working well.

I do feel that the sugar and wool provisions are adequate, and I see no need to reduce either. The sugar issue, as we know, is a subject for the General Agreement on Tariff and Trade, and the Committee and the Congress may have to rethink that particular program in light of the final decision.

Title XI of the Food Security Act deals with trade, and I should hope that both the Export Enhancement Program and the Targeted Export Assistance are continued and enhanced. They are very popular in my State, and have been helpful in allowing us to recapture some of our lost overseas markets. Again, there are participants in the EEP and TEA programs who are scheduled to testify later this morning.

Titles XII and XIV deal with conservation and agricultural research and extension. As with the previous titles they have been somewhat successful. However, in my view this is one area where I feel we need to place additional emphasis.

The "swamp buster" and "sod buster" provisions need modification. Too many of us have heard horror stories about good farmland being taken out of production because of an alleged higher demand for wildlife. This is occurring on lands being forfeited to the Farmers Home Administration. Some of my constituents suggest that these farms reacquired by the Farmers Home Administration be offered to young qualified farmers who would be willing to develop a conservation program. To me that seems reasonable.

Another suggestion, Mr. Chairman, is that if farmers are to do an adequate job of preserving and enhancing the soils then the $3,500 cap on Agricultural Conservation Practices be raised for the first time in a decade. Again, I feel that is a reasonable proposal.

The Joint Council on Food and Agricultural Sciences and the National Agricultural Research and Extension Users Advisory Board that were established by the Food Security Act have exceeded what

I feel we thought we would accomplish with the establish of those two entities.

The Chairman must be aware that I have asked the Committee to consider the establishment of an Office of Integrated Pest Management and to expand our research in that area. It is apparent to me that where ever possible the Congress must minimize hazards to human health and the environment, but to do it in a way that recognizes and enhances the farmers' economic problems as well. That not only applies to Titles XII and XIV, but to the entire farm bill for 1990.

Title XIII deals with credit, and I do not think there is a farmer in the audience who does not feel that there is sufficient credit. The Congress addressed some of the more generic problems in the Farm Credit Act itself, and it is my understanding that our efforts are working well.

One specific problem that is beginning to surface deals with the water and waste disposal facilities program of the Farmers Home Administratioin. The City of Orange Cove, not too many miles east of here, is an example of excellent cooperation between the community, the State of California, and the Farmers Home Administration.

However, less than 100 miles south, there exists a problem. The FmHA had provided a loan and grant program to develop a water supply for McFarland. Water was developed, but it was tainted. The well was closed in. Now the community water district has a loan burden and no water. This is occurring more frequently, and is something the Committee may want to probe in more depth.

Title XV deals with the Food Stamp program, and I have not heard of major problems with it. The Temporary Emergency Food Assistance Program (TEFAP) is widely used throughout the Central California counties, and there does exist a degree of disappointment that there are no longer surpluses of dairy products especially. That is another indication of the success of Title I.

Title XVI established research and promotion marketing orders for beef, pork, and watermelon. While not perfect, they are beginning to become established. I would be remiss, Mr. Chairman, if I did not point out at this time that 10 or more of the 50 or so Federal marketing orders that are currently in effect exist in the San Joaquin Valley. Among them are the Federal programs for raisins, navel and valencia oranges, lemons, walnuts, almonds, peaches, nectarines, plums, pears, and olives.

I do feel, Mr. Chairman, that the Committee may want to sit down with the Department of Agriculture and its marketing order representatives to explore, and I underscore the word explore, legislation to remove certain inconsistencies regarding administrative appeals.

Finally, Mr. Chairman I should suggest the the farm bill for 1990 continue the market-oriented trends established by the Food Security Act. Additional flexibility for the producer and for the Secretary should be built into the law where ever possible, he farmer as he addresses conservation and the environment. That must be encouraged.

We must resist the zealots who have no investment. Their scare tactics must be overcome by good scientific fact, not proposals that have a potential of raising the price for fruits and vegetables by 50 percent and eliminating 70,000 jobs in the farm sector alone.

Basically, the farm bill for 1990 should extend farmer flexibility. In this specific setting--the San Joaquin Valley--I should ask the Committee to explore the possibility of permitting these growers to utilize legumes to enrich the soil. One proposal from other regions is to encourage the growing of soybeans. That is not an option here. Our best legume is alfalfa. Permit it to be used by law. The alfalfa growers in this region simply would not tolerate grazing by livestock on that acreage. Flexibility in this area also means corn silage, not for government storage but for the many dairies that are here.

Mr. Chairman, in closing I would say to you good luck in reaching your target of May 20, 1990, for passage of the 1990 farm bill. There is not a farmer or farm representative here that would not encourage the Congress to get its work done as timely as possible so planting and cropping decisions can be made with certainty.

Thank you.

The CHAIRMAN. Let me add that all of the members are happy to be here. Congressman Espy, we are sending him on a special side mission.

He is going to San Francisco, to the earthquake area. They have all this wonderful catfish in Mississippi that he has been very involved with and he is going to see if some of the needy in that area could utilize some of that catfish from Mississippi. This is not a plug; it is free.

So we are assigning him on a fact-finding mission to see if some of the areas of food need could utilize some of that Mississippi catfish that they will be happy to send over for them to use.

At this time we will begin the panels with Mr. Henry Voss. We will be happy to hear from you at this time.

STATEMENT OF HENRY J. VOSS, DIRECTOR, CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

Mr. VOSS. Thank you, Mr. Chairman. My apologies. I have a written statement but it has not caught up with me in the last 2 days and so if it does not get here before you leave, we will make sure that it's sent to Washington.

The CHAIRMAN. The record will remain open and your statement will appear if delivered to us in due time.

Mr. VOSS. We are always pleased to see you here in California and know that you do have a great understanding of California agriculture.

And Congressman Espy, we hope that you will have either this time or at some later date, an opportunity to spend some time visiting California agriculture.

I am here today as the director of the department of food and agriculture for the State of California. And I would just like to touch on a few of the items highlighted in the farm bill that need to be addressed.

Looking back at the 1985 act and the conditions that agriculture throughout the country found themselves in 1985, that overall, I think it has done a very good job of trying to address those problems and move agriculture from where it is into a competitive stance worldwide, into a more competitive agriculture and a more market-oriented agriculture.

I would hope the 1990 farm bill continues to point in that direction and continues to move agriculture to be globally oriented and market oriented to the extent that it can be driven through a Farm Program.

In saying that, I think that we do have trade talks going on. We do have a lot of barriers to trade. I think that this farm bill, similar to 1985, needs to address those, whether it be with continuation of T-type funds, the export enhancement funds, other ways of equalizing the playing field between American producers and those who want to setup barriers to competitiveness in the marketplace.

We hope very much that the GATT negotiations, ultimately over a period of time, work in the direction that both Carla Hill and Clayton Yeutter have pointed out as far as being the direction for agriculture.

The Crop Insurance Program has not really worked very satisfactorily for a group of vegetable crops. The raisin industry in this area has been involved in crop insurance over several years and I think that, generally, we need a Crop Insurance Program here in California that needs some study and some research to address the problems as they are faced in a fruit and vegetable type environment which is somewhat different than some of our basic crops, whether they be cotton or rice or wheat or corn.

In the area of FmHA, I think that the 1985 program again has moved into more of a guarantee program rather than direct loans.

I think the direct loan provisions—and my understanding of FmHA originally was to help young people get into farming—I think that is where it has to continue to be and that somewhere we need a graduation program and over a period—and I do not know what that time period is—5, 7, 10 years, people are able to get traditional financing and move out of the program and create opportunity for more young people to use a program or get out of the business.

The whole area of conservation and environment is on the forefront for all of us today. I think agriculture has been concerned about conservation almost historically as agriculture has taken place.

Many of the directions that society would like to move us in I think are good ones. I think that agriculture wants to go that way but in many cases the knowledge and the research that is needed to stay competitive and still accomplish those goals needs to be further investigated.

I realize that funds are hard to come by nowadays. But, the success of agriculture has been in its commitment to research, in order to be able to be on the cutting edge as it has been in this country for some 50 years now.

I think that we have to continue that commitment to further research throughout the whole area, whether it be conservation, food service, food safety, the biotech areas.

I think with that we, in California, would be very supportive of a program that addresses these highlights. I think some of the people who will come later today will talk a little bit more about some of the specifics as far as the effects on some of the individual crop products that we do have here in California.

Again, Mr. Chairman, thank you for being here and thank you for having this hearing here in California. We are very proud of our Congressmen that you have sitting there with you today and they represent a very big part of the vast agriculture here in California.

Thank you once again.

[The prepared statement of Mr. Voss appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much and we appreciate your being here, Mr. Voss, and I assure you that we look forward to working with you as the representative of all of California agriculture.

Your immediate predecessor, with whom we have almost daily contact, the Deputy Secretary, is having valuable input into the process of running the Department of Agriculture. He is just a nice guy and we enjoy working with him. I am sure he would want us to bring you his greetings and we thank you. We hope that the lines of communication remain open both ways; from you to us and from us to you as we work for American agriculture and with California woven into it. There is no question, we thank you for being here.

Mr. Voss. Thank you.

The **Chairman**. I might add for all of the other witnesses here, you see a little green light and a little red light. We operate under a 5-minute period and if the green light is on, it means you can keep going. If the red light is on and what you are telling us is not all that interesting I may cut you off. Hopefully you will stay within the time of the green light.

We now have some of the witnesses here and some are not so we are going to skip around. If you have a list of the witnesses, we are not following it exactly as it reads.

The next witness that we have is Michael Barosso, president, American Agriculture Movement of California.

We are very happy to have you and we will be happy to hear from you at this time.

STATEMENT OF MICHAEL H. BAROSSO, PRESIDENT, AMERICAN AGRICULTURE MOVEMENT, INC., CALIFORNIA

Mr. **Barosso**. Mr. Chairman, members of the committee, it is a pleasure to have this opportunity to visit with you this morning. My name is Michael Barosso and I am president of the American Agriculture Movement of California. I am a third generation rice farmer. And while I do not know everything there is to know about growing rice, I have had the opportunity to serve the rice industry in the various positions.

I served 4 years on the California Rice Industry Committee which gave me the opportunity to see how rice farmers interact with other areas of our economy, both the good and the bad sides of that.

Because of that, it has tempered my views considerably on what I think the directions are that we need to follow.

One of my concerns about agriculture is the idea that rural America has mended and that stability has been returned to the American farmer.

I was discussing this with Eddie Albert at his home in Los Angeles not long ago and he truly has green acres at his house. He is foremost in experimenting with means of production.

And he was showing me the garden which surrounds his house. He was telling me about a lady that was new to the neighborhood and just came walking up and spotted him working in the garden. And she said, "Well, this is certainly a beautiful garden you keep for these people here. How much do you charge them?"

Eddie kind of looked her up and down and said, "Well, I charge quite a bit plus the lady of the house lets me sleep with her once in a while."

He said, with that, she was out the gate and down the street and he has never seen her again. But my point is that we all buy into illusion every day whether we want to or not.

The illusion that rural America has rebounded to a wonderful prosperity is a cruel one, with thousands of farmers still being foreclosed on around the country every year and most commodity prices not having made any real meaningful gains. It is hard to see this rural rebounding as anything more than a mirage.

There are over 400,000 acres of rice planted in California and it is a major contributor to the economy of the central valley.

In years past, the Rice Program operated so as to establish a price which was in balance with costs and allowed the rice farmers a fair return on their investment.

This was done very simply by balancing supply with demand and weighting the formula so as to prevent the price of rice from outrunning inflation or dropping too low.

Besides providing rice farmers with an adequate income, it also created a stability that translated into dollars for the entire community. This is not the case today.

The absolute bottom line is that this idea of a cheap food policy, which has devastated agriculture, has relegated all of our investments in land, equipment, and our operating money to the status of nonperforming assets.

Unfortunately but quite predictably, that malaise has now spread to our Main Street businesses in many of our rural communities.

Butte County, for example, and Colusa County are the two largest rice producing areas in the State. They account for about one-third of the rice production in California.

Butte County is bankrupt. Colusa County is on the verge of going under also.

State mandated programs that do not come with their own funding are part of the problem. Nonetheless, the importance of a healthy rice industry to these communities can not be stressed enough.

Since 1982, land values in these two counties has dropped by 40 percent, and as you might expect, the tax base has eroded as well.

As farmers, we are not alone in our view of the Food Security Act of 1985. Some time ago my executive board and I hosted an EEC delegation led by Mr. Con Lucey of Ireland to a breakfast.

Can you imagine how it felt to have them point out that the rest of the world thinks that we are the dumbest creatures on the face of the Earth because we allow our own Government to drop the price of corn to the point that it bankrupts hundreds of thousands of our own farmers?

The agriculture ministers that we talked to felt that our countries should be discussing supply management and market share and that anything else was irrelevant and irresponsible.

The EEC is not the only group which thinks that we have taken leave of our senses. We have talked with officials from Zenchu, the Japanese farmer cooperative, on numerous occasions.

While we do not necessarily agree with some of their positions, we must admit that their farmers are in a stronger position than are our own farmers.

Not long ago, a CEO from one of our rice cooperatives remarked, with obvious disgust in his voice, that he did not feel that we would be exporting rice to Japan any time soon because the farmers there control the Parliament.

The fact that the farmers there have the financial resources with which to control the Japanese legislative body was appreciated by our farmers but, apparently, not by the CEO making the statement.

Given the relative financial health of the EEC farmers and the Japanese farmers, and after their having witnessed the decimation of hundreds of thousands of American farmers, under the provisions of the 1985 act, Secretary Yeutter's efforts to sell his ideas on agricultural trade at the GATT talks is like a fox trying to entice the chickens out of the hen house by showing them the bones from his last meal.

We applaud the chairman's intentions that the farm bill be written in the Congress by elected Representatives of the people and not in Geneva by a political appointee.

There can be no shorter or more direct way to convey to you what we need more than to say we need a price for what we grow.

The best approach at this point, we believe, would be to raise the loan rate to at least 70 percent of parity in a voluntary supply management plan. That would set the floor on the price of rice, for example, while eliminating Government exposure on deficiency payments.

Growers, wishing to have full production for free floating world export markets, would be free to do so. Farmers choosing a supply management plan designed for domestic consumption/production—and it was operated by the existing ASCS offices which received a parity price which would cover their cost of production—the existing market enhancement programs would remain intact.

We believe that this concept needs to be explored by the committee during the next few months as the framework of the 1990 farm bill begins to materialize.

We realize that this is just the barest sketch of an idea but we would like to discuss it further with you. I have been asked to invite each of you to come to California during spring planting for a meal that you will never forget and a chance to talk with the rice growers as they plant the new crop.

These are not growers who meet the economies of scale, but rather, the ones who define and set them. They are on the leading edge of rice production, and what they have to say about the need for a fair price, production notwithstanding, should be of great interest to you.

We often hear the inference that those demanding a fair price are just poor managers. You will have a chance to see the operations that these people run, talk with them, and decide for yourselves who is giving you the most realistic picture of the financial needs of rural America.

You should be receiving formal invitations shortly. Thank you all for you time and consideration this morning. We look forward to visiting more with you as the farm bill debate advances. Thank you.

[The prepared statement of Mr. Barosso appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We are going to go by panelists and, Mr. Barosso, we invite you to remain either at the table or where you are seated while we go with the other witnesses and then we will have all of the panel so that we might ask questions if there are any. Thank you very much.

The next witness is Sharan Lanini, president of Salinas Valley chapter, California Women for Agriculture. We will be happy to hear from you at this time.

STATEMENT OF SHARAN A. LANINI, PRESIDENT, SALINAS VALLEY CHAPTER, CALIFORNIA WOMEN FOR AGRICULTURE

Ms. LANINI. Chairman de la Garza and House Agriculture Committee members. I would like to thank you for allowing me to testify on behalf of the California Women for Agriculture organization.

California Women for Agriculture is a volunteer organization of over 4,500 members, representing virtually every agricultural discipline within our very diverse State.

Our members are agricultural producers, wives of producers, allied agricultural industry representatives, and probably most importantly, consumers.

The issue of food safety is a complex one, so I will limit my comments today to the three key elements in the issue: Public perception, agricultural and scientific perspective, and finally the most necessary element for the future, the rational persuasion of the public of the health benefits and safety of our Nation's fresh food supply.

Current public perception and unfortunately public policy on the food safety issue are being driven by special interest groups, media hype and hysteria, and some consumers and retailers; with none of these groups fully utilizing the vast amount of scientific information available regarding pesticide residues on food. The most recent FDA figures on pesticide residue monitoring in 1988 show 96 percent of the 18,000 samples contained no illegal residues.

And similar results from the California Department of Food and Agriculture with 99 percent of the 14,500 samples taken in 1988 contained no illegal residues, and 80 percent of these contained no detectible residues.

There is no scientific evidence to show that human cancer is caused by pesticide residues in food. Our food supply is safe. But the public does not perceive this reality.

Government and the agricultural community must work together, utilizing the latest scientific data to restore public confidence in our food supply. We can no longer allow emotion and hysteria to be promulgated by special interest groups, whose real goal is the disruption of public confidence, rather than for public good; as in the recent Alar incident.

We must base our public policy decisions on valid science and reasonable regulation, not on emotionally charged knee-jerk reactions.

U.S. agriculture provides our citizens with the most abundant, reasonably priced, nutritious, and safest food supply anywhere in the world.

The needless hype of the food safety issue is already affecting the Nation's ability to function in a global economy.

Countries like Japan are putting special restrictions on our agricultural products by commodity; as a means of yet another trade restriction.

And the potential duty-free access through the General System of Preferences of less regulated Mexican produce into California, actually weaken our Nation's economic position and reduce the safety of our food supply.

And should the 1990 California Initiative, the California Environmental Protection Act of 1990 be passed, the food safety debate will impact overall agricultural production potential, food prices, and availability, reduce the gross State product in California, cause job losses, limit geographic and seasonable food supply, affect the health and diet of consumers, and reduce our export potential.

The benefits of pesticide use, both economic and health based must remain as part of the equation in setting pesticide policy.

We cannot move away from science, nor be too quick to change some of the regulatory safeguards inherent in product registration and product cancellation procedures, in an effort to streamline the process.

Federal standardization of pesticides residues, tolerance, and laboratory testing of these residues is necessary.

But it must incorporate the best available data, and should take into effect the leadership of States such as California, where pesticide regulation is indisputably highly advanced and progressive.

Therefore, California Women for Agriculture urges your committee to be realistic, and rational in your approach, utilize the best available science, and work closely with our agricultural industry in your policy-setting decisions regarding these issues of food safety in the 1990 farm bill. Thank you for your time and attention.

[The prepared statement of Ms. Lanini appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We also invite you to remain for questions at the end of the panel.

Mr. David Moore, Western Growers Association. Thank you for being here, Mr. Moore, and we will be happy to hear from you at this time.

STATEMENT OF DAVID L. MOORE, PRESIDENT, WESTERN GROWERS ASSOCIATION

Mr. MOORE. Mr. Chairman and members of the committee, the Western Growers Association represents over 1,300 growers and shippers of fresh fruit and vegetables in the western United States and produces over half of the fresh produce produced in this country.

I am honored to be here today to represent our views on the upcoming farm bill.

Agricultural production takes a place on a global scale and in the context of a global marketplace. Consequently, no discussion of the farm bill can take place without putting it in the framework of the Uruguay Round GATT negotiations.

While fresh fruit and vegetables do not participate in farm programs, our products are affected by program commodities.

For example, it is commonly known that in any future United States-Mexico trade agreement, fresh fruit and vegetables will be imported to Mexico in exchange for shipping grain to Mexico.

At the beginning of the Uruguay Round, the United States announced that its goal in negotiations was to totally remove all government trade distorting policies that affected agriculture. This was to include internal subsidies, export subsidies, border measures, phytosanitary regulations, or any other barrier to free trade in agriculture.

The first two specialty crops essentially saw their tariffs removed with no corresponding benefits. We support the concept of fair trade. We do not receive any trade distorting subsidies, nor do we have any unfair border restrictions, and vital sanitary tariff to inhibit the flow of fresh produce into the country.

However, we have yet to see any benefits from the U.S. trade policy. The benefits are simply not being reciprocated.

We make the concessions but we receive nothing in return. It seems we give in anticipation of a concession but that approach does not work. We have at that point given up our trading chips.

Where is the reciprocity? Obviously there has been very little from our trading partners. We urge you to keep this in mind when examining the 1990 farm bill.

This brings me to our second concern, the recently announced United States-Mexico Trade Accords and the confusing signals emanating from the Bush administration on the future course, goals, and purpose of United States trade relations with Mexico.

During the Reagan administration, the agricultural community was repeatedly told that there would be no plan for a free-trade agreement between the United States and Mexico.

This position was apparently reaffirmed and an agreement signed by United States Ambassador, Carla Hills and her Mexican counterpart.

The agreement specifically stated that it was not a free-trade agreement. However, in recent congressional testimony by Commerce Secretary Robert Mosbacher, he predicted the United States and Mexico would eventually negotiate a free-trade agreement similar to the United States-Canadian Free-Trade Agreement.

These confusing signals from the administration create a high degree of uncertainty in the California-Arizona agricultural community and prevent us from making even the most fundamental economic assumptions about the next 5 years.

For these reasons, we urge that no initiatives, either through the accelerated Uruguay Round plan or by using GSP program, be established for Mexico.

Instead we urge the administration to roll any benefits intended for Mexico into the overall Uruguay Round conclusion. This will maintain a strong U.S. position in the GATT Round negotiations.

I urge, Mr. Chairman, this committee that when adopting proposals in the farm bill, they assure consumers that nonorganic produce is a wholesome product.

The United States has the strictest pesticide laws and safest food in the world, as stated by Congressman Condit earlier.

The scientific evidence shows that fresh fruit and vegetables can be consumed without fear.

Last, we urge you to retain the Targeted Export Assistance Program. As I mentioned earlier the fresh fruit and vegetable industry receives no subsidies, has few or no tariffs and benefits from government programs.

Consequently the key program has been invaluable in helping us to offset extensive programs many foreign nations maintain to subsidize their grower's production.

Without this program, many U.S. commodities would have found themselves unable to compete in the foreign market. Thank you very much.

[The prepared statement of Mr. Moore appears at the conclusion of the hearing]

The CHAIRMAN. Thank you very much, Mr. Moore and we invite you also to remain if it is possible.

Our next witness is Mr. Steven Beckley, general manager of California Fertilizer Association.

STATEMENT OF STEVEN R. BECKLEY, GENERAL MANAGER, CALIFORNIA FERTILIZER ASSOCIATION

Mr. BECKLEY. Thank you. The California Fertilizer Association is a trade organization representing the manufacturers, distributors, and retailers of fertilizer here in California. We are also a member of the Fertilizer Institute in Washington, DC.

We certainly appreciate this opportunity to provide input on issues which we feel should be considered in the 1990 farm bill.

We also appreciate your bringing the hearing to California. California's agriculture as you are going to hear from many witnesses today is a dynamic, diversified, and year-round business.

It is one of many crops produced for both domestic and international consumption. Our industry relies on a healthy farm economy which thrives on a market-driven policy.

We also feel the 1990 farm bill should minimize acreage reduction programs and build on the trade enhancements created in the 1985 farm bill.

The goal should be to assure the United States' position as a long-term supplier of farm products in world markets. A strong export promotion and market expansion program must be continued to allow our farmers to have access to needed markets.

One of the biggest challenges, we feel, facing agriculture today is responding to the ground water contamination problem that is referred to as being committed by agriculture.

We have taken a lead in this area and are working with the California Department of Food and Agriculture in developing a nitrate and fertilizer program.

This program is going to identify local areas in which we have impacted the nitrate level in the ground water and will respond with education, research, and the adoption of best management practices. Hopefully this program can be started in the beginning of 1990.

The 1990 farm bill is seen by many as where agriculture must take the initiative in dealing with the ground water situation.

Much has been done, including programs in the 1985 farm bill such as the CRP and requirement for a conservation program by 1990. But much more can be done.

Our industry believes through research, improved farmer education, public information, and the adoption of agronomic Best Management Practices—BMP's—many of our ground water quality problems with nitrogen can be prevented from the start.

These items should be the basis for a ground water protection program for the use of fertilizer.

The adoption of BMP's plus the maximum flexibility within Government programs, will give farmers the opportunity to develop farming systems that maximize production efficiency and environmental protection.

California farmers take pride in providing crops of the highest quality and many receive payment based on quality. Proper fertilization is the key to quality in most cases.

Improper amounts, both too little, too much, and improper timing of application can be detrimental to a crop's quality.

These farmers are using BMP's to provide consumers with the products they demand. It should be noted that these are the same BMP's now being touted by low-input advocates as being new ideas. In reality, agricultural scientists have for decades been investigating these and many other farming methods that reduce pollution, increase yields and quality, and improve farmer's profits.

The 1990 farm bill should provide for more research and practical guidance on BMP's. Funding is critical to this effort.

Both research and education efforts must be adequately funded in order that we can continue to develop new technology to provide food at the lowest unit cost with the least environmental risk.

In conclusion, Mr. Chairman and members of the committee, I would like to add that our farmers in California and in the United States provide the safest, cheapest, and most abundant food supply in the world.

Our industry is proud to provide them with the inputs to accomplish this. Ground water policy developed in the 1990 farm bill should be based on fact and solid research and not media hype, special interests, and misinformation.

By working together in developing a program based upon research and education, the farmer can continue to produce the needed food supply.

Again, I thank you and the members of the committee for the invitation to be here today.

[The prepared statement of Mr. Beckley appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. We invite you to remain for the next witness on this panel, Mr. Bob Vice. Your statement is here so it will be incorporated in the record.

STATEMENT OF BOB L. VICE, PRESIDENT, CALIFORNIA FARM BUREAU FEDERATION

Mr. VICE. Good morning, Mr. Chairman and Congressman Espy. I am glad that you could come to California and be with us and good morning to four of our fine Representatives from California.

My name is Bob Vice. And I am president of the California Farm Bureau, a federation that represents our 53 county farm bureaus to the State and also representing about 90,000 farm families in California.

The farm bureau supports the major changes that happened with the Food Security Act of 1985. Setting loan rates for program commodities at a percentage of the average of market price has helped American agriculture to achieve competitiveness in world markets and increased domestic usage of our products.

Coupling voluntary acreage reduction programs with the aggressive use of commodity certificates has also proven to be effective in reducing some of our carryover stocks and some of the depressed commodity prices we have had for many years.

Simply put, passage of the Food Security Act of 1985 started U.S. agriculture on a policy to a more market-oriented agriculture.

The next farm bill should continue that transition and augment the progress that has been made. Major adjustments are not needed, but providing for increased planning flexibility and the improving and updating of yields would be two improvements.

The Food Security Act of 1985 set a precedent in that conservation goals were linked with traditional objectives of supporting commodity prices.

Protecting farm income assures an adequate food supply and conservation goals included, reducing erosion, sedimentation, improving the water quality, preventing the conversion of our highly erodible land and wetlands to crop production, and creating better habitats for fish and wildlife.

The Farm Bureau supported those goals and we support using the next farm bill to continue the progress that has been made.

We caution, however, against forgetting the needs of farmers who participate in farm programs because the benefit outweigh the burdens. If the conservation and the environmental provisions of the next farm bill require excessive regulatory oversight of farming practices or impose unrealistic and inflexible standards of performance, then farmers will be driven from the program. Farmers and the environment both would suffer and the farm bill would fail to achieve its objective.

Also, we urge that the environmental provisions in the next farm bill be based on principles that have been proven by sound, scientific research.

For example, does low-input sustainable agriculture or "LISA," really offer a safer, more economical, and profitable way of farming?

Farmers have a keen interest in learning more about it. But much research needs to be done before we should consider mandating it in farm legislation. We certainly endorse the additional funds for research in techniques such as this.

Regarding international trade, the Farm Bureau has been actively involved in negotiations proceeding under the Uruguay Round of the General Agreements on Tariff and Trade.

We strongly support the U.S. position that all trade distorting subsidies and market access barriers should be eliminated.

American farmers and ranchers would be strong competitors in the world market if it were truly open and free. And this is exactly why the U.S. position is being resisted so strongly by other GATT members.

In the meantime, for as long as world trade and agriculture commodities do remain distorted, we particularly support the continuation of the market loan and the Export Enhancement Program.

These programs have been effective in restoring the U.S. share of world trade for several major commodities. In the next farm bill, this should remain the most important aspect of U.S. agricultural policy.

Renewed commitments toward the marketing loan and the Export Enhancement Program will serve as a potential bargaining chip for U.S. negotiators at the GATT and should help us achieve our ultimate goal of eliminating all trade distorting subsidies and market access barriers.

We are hopeful that the multilateral plan for the reduction of trade distorting subsidies and market access barriers can eventually be worked out.

The Farm Bureau recommends that any trade related segments within the farm bill be flexible enough to accommodate such a plan should it be forthcoming.

There should be no provisions, however, which would require the United States to take unilateral action to eliminate existing policies.

I thank you once again for having these hearings in California and particularly in the central valley and again appreciate the opportunity to present our views.

[The prepared statement of Mr. Vice appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Are there any questions of any of the witnesses on this panel? Mr. Espy.

Mr. ESPY. Mr. Chairman, I do have a question.

First, let me say that I am proud to be here. I am proud to be here with you, Mr. Chairman, and all of my colleagues from California.

I am not a Californian but I propose that if I could adopt a State, the young of that State which I represented would be California. I went to law school here. I am very interested in improving and expanding California agriculture.

In fact, I was here in August with Bill Gray, the majority whip, on a trip sponsored by some of the local growers to come to the California Central Valley.

And there, we did hear about concerns of the EEP. We heard about the concerns for the reduction in the TEA Program.

I know our time is short so let me go directly to the question if I can. To Mr. Vice and to Mr. Moore, let me ask you both to make comments on a subject that talks about flexibility in the new farm bill.

In Congress, if we mark up this brand of farm bill, the question is on budget savings. I really believe that the new farm bill we mark up is going to be budget-driven.

I wish our chairman had his famous chart. But, I sit on the Budget Committee and all of our colleagues from the other urban areas across the Nation are always talking about how much the farm bill costs and our chairman would be the first to tell you that in this $2 trillion budget we have, that the part that goes to agriculture represents just a very minor part of it.

Still we have to defend the charges. In the new farm bill that we mark up, a great interest area is going to be in this triple-based program which as you know talks about one base and your program—base to satisfy option and the third option where you can pretty much grow and sell it on your own.

Mr. Vice, you talk about major changes that might be needed in the new farm bill which do mention providing for increased planning flexibility.

And, Mr. Moore, you did not elaborate on this in your verbal statement, but in your written statement, you do advocate a concern with the triple-based option plan, that it will compete against California specialty crops.

This is something that a lot of us are looking at because it does have, first, the budget savings that we need and it also allows for the flexibility that we desire.

So, how would you answer the concern that we are looking at on this triple-base and the impact that it will have on California specialty crops?

Mr. Vice. Well, we certainly support the flexibility in terms. We know that some of the program crops in many of the years, if they had had the flexibility of moving part of their base into even another program crop, and I think soybeans is a perfect example, many of the farmers would have opted to do that.

For them it would make economical sense and for the Farm Program, again, in your interest, in all of our interests, of cutting down, but certainly Congress' responsibility in working that down, it would have both benefits.

We are concerned with the nonprogram crops and the impact it would have on them. I would hope that much of the flexibility would come from one program crop to another.

Again, I know that because of inflexibility, we have lost much of our potential soybean market to foreign countries because the growers of program crops have not had the flexibility they wanted when many of them wanted it, to move from corn or wheat or another program crop into soybeans.

I think that is a perfect example. We do know that there will be some of that acreage that will be planted into nonprogram crops. We would like to see that limited as much as possible to a switch between program crops.

But we certainly recognize the potential downside of some of that going into nonprogram crops. But I think it has to be part of the overall plan.

The Chairman. Mr. Moore.

Mr. Moore. Yes, we have great concern over what might happen. You go back to the 1985 farm bill. Initially it had a provision where you could go and set aside acreage and put it in the nonprogram crops. And there was great concern here.

We thought that that would be one. Because we had a number of people here in the valley who were doing user set-aside and growing competition being known.

And it is very devastating to someone. We are not given the benefits on our specialty crops from subsidies and so forth.

Someone getting paid for that idle ground and they come out and go in competition—we have great concern on the triple-option issue mentioned because it will—I can understand the economics of it because there is not any doubt by having it there—and people getting out of programs, they lose their subsidy. That is what forces them to stay in and plant crops when it is probably something that they would choose to go outside of that program.

But for our benefit, people in the fruit and vegetable industry, especially the vegetable industry, it could be very harmful to us.

Mr. ESPY. So is it fair to say that you recognize the need for flexibility, but just not too much flexibility.

Mr. MOORE. I think that when someone has—I do not want to call it double-dipping or whatever you might want to call it, but if you are on subsidized crops, to have those people to be able to affect the market that we work under in the vegetable and produce industry, I think it is harmful to us to have that competition to be able to step in. And it definitely affects our markets.

Mr. ESPY. Let me ask, Mr. Chairman, if I could. Do you think it would be offset by increasing money to TEA which would be helpful to everyone in the nonprogram crop production of the EEP?

Mr. MOORE. No, the TEA would not necessarily help someone that is, say, in the lettuce, cauliflower, broccoli, or melon business as far as having that.

That helps us on the export side. That gets into different—that is what I mentioned in my testimony, when we are dealing bilaterally. What happens is we get in this—say, Japan and Korea and the United States want to open up the markets there, but because of the concern from the Defense Department, State Department, they do not tend to put the pressures to open up those barriers.

And Mexico is a different situation. There it is the Treasury Department. They want to do something to help Mexico pay their bill.

And that is why we want to see a global Uruguay Round that would open the market. We have no gripes at all. If we cannot compete in the world market, that is fine.

But to be picked off as somebody that has an advantage over us, we think that is a bad thing for our segment in agriculture.

Mr. ESPY. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Congressman Condit.

Mr. CONDIT. Mr. Chairman, I would like to go back just for a moment to the food safety issue. And I think everyone here has sort of alluded to it.

I would ask for a brief response from whoever cares to. Should this food safety question or the debate be extended to imported agricultural goods and should it be required as well to be extended to imported agricultural goods, and if so, if you have some suggestion as to how that may be done, I would appreciate a response.

The CHAIRMAN. Yes, Ms. Lanini or Mr. Vice whichever would like to address the issue.

Mr. VICE. Congressman, I would like to respond to that. I believe that your first question about the same criteria for imports, we feel very strongly that we here in California have the strongest and safest mechanism for making sure that the food supply is safe.

We have recently augmented our already good safety record in California with a new piece of legislation that carries that even further.

We think the public deserves that. We feel that food that comes into California should meet the same standards; the Farm Bureau, the labeling of the country of origin, so that consumers when they go into a market and pick up produce know where that food has come from.

I just returned recently from a trip to Europe and I noticed in all of the countries that we visited where we had an opportunity to go into the markets, all of the countries of origin were labeled on the produce in all of the markets that we visited.

I think that gives the consumer the knowledge and the option to know where the food is coming from. And that plays well for California commodities because we are under a very stringent regulatory system here.

I think that makes the consumer, at least in this State, feel very comfortable about the food supply.

The CHAIRMAN. Ms. Lanini.

Ms. LANINI. As Mr. Vice stated, California has probably the world's strictest regulations on residues and the pesticide regulation in California is very stringent.

FDA samples and the California Department of Food and Ag samples, both do sample export, the California ones principally from Mexico and some of the foreign countries like Chile.

I would support increased testing and FDA is going to increase by, I think, double in 1990 their testing program. And CDFA is moving into a program with 100 percent use reporting of all pesticides in California and increased testing in 1990.

I would like to see that increase in the export end of things.

Mr. CONDIT. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Barosso, do you want to address the issue?

Mr. BAROSSO. Yes, if I could just briefly.

The CHAIRMAN. Yes.

Mr. BAROSSO. Although I am not a vegetable producer, I just happen to be one of the growers who was at the border recently at Nogales to witness what inspection procedures were in effect.

And I can tell you that for all practical reasons in effect, there is nothing going on at the border to equate the kind of inspection process that California growers are subjected to.

I was at the inspection station for about 2 hours, and in that time period there were about 100 trucks that passed through the inspection area.

One of those trucks was actually inspected. The rest were just sitting there. Their doors were open. Nobody went into them. Nobody looked to see what was on the loads. There was nothing in the way of an inspection other than just passing the papers through there.

And I understand that this goes on all during the winter months and there are about 500 or 600 trucks a day that go through Nogales.

Now, I think there are 14 points of entry along the border down there so you can imagine what kind of tonnage is coming into the United States on a daily basis with nobody checking it.

Occasionally, there is a spot check. But when you realize the kinds of chemicals that are in use in these countries and the fact that there is nothing, no effective barrier to screen that, it is pretty alarming.

The CHAIRMAN. What were the products that were coming in when you were there observing?

Mr. BAROSSO. Tomatoes for one, squash. I have forgotten what else was in season. I think we got into a dispute whether or not onions were coming across.

But in fact that next day, I flew back to Washington, DC and went out to a suburban area restaurant and found a tag on a bag of onions that had in fact crossed at Nogales.

So, there are any number of products that are coming in. It just depends on what the season is. But it is a pretty wide spectrum of produce.

The CHAIRMAN. What did you see the 2 hours you were there? What was coming across that you saw?

Mr. BAROSSO. I saw tomatoes. And like I say, I saw lots of squash. I cannot recall but I think it was a mango. There was an inspector there who actually took his knife out and cut into a mango to check to see what was inside.

And then there were others of course. But I was more interested in looking for evidence of any kind of inspection. And sad enough, there was not very much.

The CHAIRMAN. Does California have its own inspection? If a truck comes across Nogales, when it hits the California line, does California have its own inspection?

Mr. BAROSSO. I understand California has its inspection lines of course as the trucks cross into California itself.

But as far as Nogales being in Arizona——

The CHAIRMAN. No, what I mean is not when it crosses at Nogales, but as it enters California.

Mr. BAROSSO. Yes. At the California border, we have a more stringent kind of a inspection process, yes.

Mr. LEHMAN. On that point.

The CHAIRMAN. Mr. Lehman.

Mr. LEHMAN. If those onions, though, were shipped to Washington, they would not necessarily get that kind of inspection at all then?

Mr. BAROSSO. No. Again, depending on whose statistics you care to believe, I have seen statistics that were done that would indicate that probably 1 percent of the loads are spot-checked.

And within some of those loads, they have turned up residues of probably 15 chemicals that are not registered for use in the United States.

So that is just an example of what the rest of the country is subjected to, much more so than California because of its stringent inspections, that would have been picked up probably coming across the border here.

Mr. LEHMAN. Mr. Chairman, I for one would be interested in obtaining information that could be gathered from people who are supposed to be doing these inspections as to what they actually do and add some records of how often they find problems and what percentage they turn shipments away. I have not seen those. Maybe you have them.

The **Chairman**. We had a hearing, a subcommittee hearing, when Mr. Panetta was chairman of the subcommittee. They had a hearing and all of that stuff.

You cannot yield to emotion. We need to be factual because eventually we are dealing in a world economy as far as agriculture is concerned.

I do not know if Mr. Voss has left—but a field of vegetables in California—are you still here, Mr. Voss?

Mr. Voss. Yes, sir.

The **Chairman**. There is a 500-acre field of squash or eggplant. Is every box that leaves that field checked by someone from the California Department of Agriculture?

Mr. Voss. No, sir. There are spot-checks made in the field. There are spot-checks made in packing sheds and then at the wholesale market and then also at the grocery store. But that is a random model——

The **Chairman**. What is the criteria? How many boxes or what time during the day or what field?

Mr. Voss. There is a computerized model that we use to determine the basis of how the sampling is done. I would have to have a wizard explain it because I do not understand it.

The **Chairman**. Well, the reason for that is because the Federals do the same thing. Not every box leaving a farm in California is checked nor is every box coming across Nogales checked.

So we should not get carried away and just say, all Mexican produce is polluted and is not being checked. When we say we would like to see the safest food in the world, there are a lot of areas where you make it so. We do not check every box out of every field in California or Texas or Florida.

Granted, that both the Federal Government and the States need a lot more manpower if you are going to do that. But we held a hearing on that and we will continue to monitor as best we can.

If we are going to insist that we do it like meat inspection, that means we insist that the foreign establishment meet the same criteria, same requirements as the domestic one.

We are looking into seafood inspection and how to incorporate that into our food safety programs also.

In another area, there are problems with the mango. Eventually, they have come to use a process where you immerse it into heated water. That test is made at the inception and not at the border per se. So we know that random testing is done at the area where the mango originates.

We still have a long way to go in that respect.

We still have the safest food in the world no matter. But we still have to do better.

Mr. **Barosso**. Could I just briefly add to that?

The **Chairman**. Yes.

Mr. **Barosso**. I recall when I was in Arizona, I read a large article in the Arizona Republic concerning this issue. Apparently FDA publishes well in advance the days which they are not going to be inspecting produce.

As a practical matter, I would think that would leave some pretty good holes in our inspection process. You can read in the paper a month ahead of time what days the FDA is not going to be working.

The CHAIRMAN. I would challenge that statement. I would have to check into that. I get complaints from the importers about stopping their produce and the delay. The only reason that trucks back up there is because they are checking them.

They are not just flowing through Nogales. They do have a process at Nogales where it goes around the normal crossing and comes to a separate entry point for the inspection process.

If it backs up, it backs up for no other reason than inspection. Otherwise, you would have a free-flowing operation.

Because of the entry papers and the inspection process, that is what causes the delays that we hear about.

But I do not know. I am going to check on that. But I would doubt that APHIS says, this day we are not going to have an inspection.

Mr. BAROSSO. They published it in the paper and they showed well in advance the weekends and the days that the FDA would not be there.

The CHAIRMAN. FDA or APHIS?

Mr. BAROSSO. FDA.

The CHAIRMAN. We will check on that. Thank you for giving that information.

[The information follows:]

November 20, 1989

The following information was supplied this date by officials of the U. S. Department of Agriculture:

Inspection at Nogales

FDA, APHIS and AMS and have found no evidence of Mr. Michael Barosso's allegations that fruit and vegetable inspections are announced in advance. All three agencies have full-time employees at Nogales and all denied any reason for announcing inspection dates.

FDA - All fruits and vegetables come in through one gate. There are 3 permanent inspectors (which may increase during height of growing season). Inspections are Monday through Friday and unannounced Saturday and/or Sunday hours periodically. U. S. Customs has list of certain problem growers, companies, etc. and problem fruits and vegetables. If there is no weekend inspection on a problem crop/grower, then Customs will hold the product back until it can be inspected by FDA.

FDA inspects nearly twice as many foreign samples for pesticides as it does domestic commodities.

AMS - There are full-time inspectors at Nogales at all times. At height of growing season there may be up to 75 inspectors, and at lowest, about 5. There is a random sample of each shipment. AMS checks to ascertain whether commodities meet the Section 8e requirements of the relevant maketing order. U.S. inspectors are hired by CADES and UMPH of Mexico to do other non-8e inspections . However, Mexico is cutting back on such inspections by about 30%. (The 8e commodities inspected are: tomatoes, onions, limes, oranges and grapes).

APHIS - APHIS has from 15-20 full-time inspectors at Nogales. There is no advance notice since inspectors work full weeks to detect pests and diseases in fruits and vegetables.

The CHAIRMAN. Any further questions.

Mr. Herger.

Mr. HERGER. Mr. Voss, if I could follow up on this line of questioning.

Do you feel there is a valid concern that we have a double standard? That we of California agriculture, particularly in the Federal agriculture and perhaps to a somewhat lesser degree with ever growing stringent controls and regulations—probably for good cause for the most part—have a double standard on our use of pesticides and herbicides to ensure that we continue to have the safest possible food. Yet, food that is coming in from other countries, Mexico or Chile or others where they are not as stringent and which is not perhaps meeting the same requirements? Perhaps we are getting food from outside where our public is not sure which is which at the supermarket? Is this a concern? Is it a valid concern?

Mr. VOSS. Well, I think that we always have the concern that our producers in this State not be put to regulatory conditions that do not affect or make them competitive because of regulations outside this State that do not have to follow the same criteria.

We have chosen though in this State an agriculture and some of the groups that you see at the front table here were part of supporting the more stringent criteria by which California produces food.

I think we did that out of the recognition that perception whether true or not became reality in a lot of people's minds. So we took that step forward ourselves.

And we would naturally like to make sure that the citizens who eat food that is produced in California be afforded the same level of assuredness that things coming from outside of California would also have to meet that criteria.

But I cannot comment on the regulations outside of this country. Again, as the chairman has pointed out, we certainly are a global society in terms of agricultural production. We need to be made aware of that.

Mr. HERGER. Yes, but again to follow up on that. Do you have any feeling, any opinion, are inspections adequate enough to insure that food that is coming in meets the same standards of that food that is being produced here in California?

Mr. VOSS. Well, we have had the same concerns that have been outlined here by Michael, that we have known for quite some time there just is not enough manpower.

There is not enough budget to check more than just a percentage of loads. I believe, however, that FDA uses the commodities that are in season that are coming across from Mexico.

They know those commodities and what pesticides are normally used on them and they are more subjective in testing of those particular commodities at a time of the year that they know a restrictive type of pesticide is used on them.

So, although the testing is very, very small, percentagewise, I believe there is a plan to try to zero in on the problem areas.

Again, a very, very small percentage of testing. There is no doubt if some were to try to get a load of produce across that it would not be too hard to do.

I have not heard, that is news to me, too, that they would actually publish when they are going to be there. That does not seem like it would be allowed but I am sure that the chairman will follow up on that.

Just one other comment that I would like to make in the pesticide area. One of the things that seems to us in agriculture to be a little bit of an unlevel playing field, so to speak, is the rap that California and all agriculture gets on the use of pesticides.

And yet, the No. 1 county, as far as agriculture production, that you are sitting in, Fresno, most people would think it is where most pesticides are used. And that is not the case.

The largest using county of pesticides in California is Los Angeles. And that is the home user who can buy unrestricted things that we cannot even purchase, and with no knowledge and no training, use those pesticides in any number just about anywhere they want to.

If they want to go to the store a dozen times or half a dozen times, they can pick up more pesticides than we can buy legally, as farmers. You have to have no training to use them. Somehow, somewhere we have to address that.

The CHAIRMAN. Thank you. Mr. Pashayan.

Mr. PASHAYAN. Thank you, Mr. Chairman. In looking to the future and not intending to be futuristic as such, do any of you have any impressions on the research that is being done in respect to developing those kinds of pesticides that rely not on chemicals but natural creatures. I guess you might say, biomicro, bionic things?

And would any of you care to comment on whether you think that kind of research is worthwhile and whether you see any future widespread use of that.

The CHAIRMAN. Mr. Moore.

Mr. MOORE. I am sure a number of us have seen the tapes from Bruce Ames and others. And there is actually some breeding going on to have a plant have its own toxic ability to keep certain pests off.

I think that is fine except that there is some concern that we are going to get more toxins out of that than if we used a chemical at some early stage in a plant to get rid of a problem at that time.

But I think all of these things need to be researched. I mean, we are doing a lot of things in agriculture now whether it be bug vacs to vacuum the plants clean. But as we know, sometimes that does not work.

My concern is that down the road, that the word chemical will mean death or something horrendous is a shame. Because I think about all of us in this room, we are going to live a lot longer because of the effects of what has happened with chemicals.

I think about what is saved in famine. Just like I saw an article not long ago, "Would you rather die from cholera or thirst?" Well, if you do not have a way of treating water in some of these countries—but there is a lot of good things that we do and it allows us to have this abundant food that is truly safe, I mean.

And if we are overhyped about the dangers of this, and I do have great concern, but I still, getting the long view there, Congressman, I do feel that whether it be on the field of plant genetics or all of that, we do need that research.

And it is a tool that we in agriculture will use because we are concerned and we want to move along and no place in the United States has done like the west coast with us on fruits and vegetables.

The CHAIRMAN. Ms. Lanini.

Ms. LANINI. The whole new generation of agricultural chemicals is going into the area of biorational chemicals and chemicals that break down into very innocuous breakdown products—carbon, hydrogen, and oxygen.

Some of these are so safe that they cannot meet the regulations in terms of testing of animals. They are innocuous. And there are problems there.

Biotechnology and the plant breeding techniques that are being incorporated are all going to be valid tools for the future.

I think that all these things are ongoing and as Mr. Vice said, in California agriculture we hear the term, "integrated pest management" bantered around, but we have been doing it for many, many years.

We have a program in the Salinas Valley for control of the western celery mosaic virus. It has been ongoing for about 30 years, where we break the life cycle of the insect by not planting celery.

So these things have been going on and I think that production agriculture is very aware of using these tools when they are practical.

Mr. VICE. And we have supported for a long time and have had the benefit of having results of integrated test management.

In my own personal farming operation, we use several of the predators who have been developed at insectories where we can actually release a small card that is—8 by 9 size card with 50,000 mites on it who eat the looper.

And we need to continue to have that kind of research. Insectories are growing and we need to support that type of research, whether it be for IPM or genetics or biotechnology in agriculture.

Again, as I said in my statement, we need to support the research that would continue to expand on those kind of programs.

Mr. BAROSSO. Just to go from the sublime to the ridiculous. I was looking at something the other day. I think it was from the University of Missouri. But there was some research there that showed that somehow certain plants that are chemically deficient in one way or another, or a weakened plant, there is some evidence that they give off a secretion that is suggestive to a male pest—that of a female pest of the same species.

And that that is one of the things that attracts certain pests to attack a crop. And the idea was, this was kind of a natural weeding out process of the weaker plants in a particular crop and that there would be some way to utilize this feature in future crop production.

I say that in that Mr. Pashayan used the word futuristic. We are certainly at the crossroads here and we seem to have all sorts of possibilities in front of us.

I think everyone here is for safer use of pesticides or diminished use or whatever. But we seem to be caught in the middle between environmentalists who do not want us to use anything and people who would like us to use the maximum because it sells product.

So we would like to see some support as far as research. But there is kind of an understanding that in the mean time that we are not caught in the crossfire. Because we are certainly trying to do our best to minimize usage. But we are getting it from both sides.

In California we have a thing known as Proposition 65 which is going to have us on the chopping blocks here for any farmer trying to do his best to be a responsible pesticide user, he is just out there in no man's land.

Mr. PASHAYAN. Mr. Chairman, just let me say, I am very encouraged by the response of the panel because I for one espouse a more pronounced role of the Federal Government, as a matter of fact, the Department of Agriculture to expand its research into this area, because it may well provide some benefits for future agriculture. And so I am encouraged that the panel seems to be thinking on its own along that line.

The CHAIRMAN. Thank you very much.

While this is being done, we are working in things that you can not even fathom, biotechnology and genetic engineering.

One thing I would like to bring out though is that our productivity has increased beyond the imagination of people 25 or 50 years ago

I was on a farm in St. Louis County outside of St. Louis—a corn and soybean farm. Fifteen years ago the gentleman who owned that farm got 38 bushels to the acre of corn. This year he got 134.

We are achieving that partly because of the tools, pesticides, and fertilizer. But no one is giving credit to the ingenuity of the American farmer, the producer.

A major part of that success has been the farmer himself. It is not necessarily the tools, but it is how he uses the tools. I sometimes get frustrated when I hear, I do not know if it is a fact or not, but that some person at OMB had made this statement "That if it were not for farmers, we would have clean water, clean air, and good soil."

That is absurd. If it were not for farmers, we would not have any food. Without any food we would all be in heaven because there would not be a planet.

But the fact is the major tools the farmer needs are good soil and clean water. Your rice will not grow without good soil and clean water, so you would be the last one to go mess up your major tools.

The legislation in place now, all of the farm bills, has never prohibited anyone from doing what he sees fit on his land.

It does not say, "You have to use." It is up to him whether he uses it or not. As a matter of fact, two farm bills ago Congressman Weaver of Oregon incorporated some funding, not too much because of budget constraints, for ongoing research on low input or integrated pest management.

We may have some work to do to give a positive indication of our interests but there is no prohibition now. If you do not want to use anything on your rice, that is your business. Our law does not say you have to.

Some people also say, "Well, you force them to produce for the program." Rather, you are limited by your area, your soil, your climate. I mean, you are not going to grow lettuce in Iowa. Governor Dukakis already found that out.

When you talk about flexibility, the triple-base idea has fallen by the wayside already.

But flexibility means different things to different people. We heard it here, a fellow said, "I want more flexibility." We were at a hearing in Michigan; they said, "But not with edible beans."

I spoke recently to the National Hay Association. As soon as we get into a drought situation comes a clamor, and rightly so, for haying and grazing.

What do you think the fellows who grow hay for a living told me about haying and grazing on set-aside acres? It all depends on where you are coming from and where your area is and what your crop is.

I guess this panel is representative of what we have to contend with. We have to come up with legislation that somehow satisfies all of you at this table.

And the Good Lord willing, we will. Thank you very much for being with us today.

Next, we will call Mr. Glenn Anderson and Mr. Charles Smallwood. Dr. Webster is not here. I understand we have Mr. Sieber and Mr. Tom Willey.

We are very happy to have all of you and we will begin with Mr. Anderson.

STATEMENT OF GLENN W. ANDERSON, FARMER, ON BEHALF OF THE COMMITTEE FOR SUSTAINABLE AGRICULTURE

Mr. ANDERSON. Gentlemen, it is surely a privilege to be here. Here as a farmer, organic almond grower and a representative of the Committee for Sustainable Agriculture that has been in existence for about 10 years, holding conferences annually, addressing the issue of alternative agriculture as opposed to what I would call petrochemical agriculture.

I think we have really moved too far in that direction. And rather than bore you with reading all of the testimony that has been prepared, I will give you a synopsis and tell you about my personal experience.

The CHAIRMAN. If you have prepared text, it will appear in the record.

Mr. ANDERSON. Thank you.

The CHAIRMAN. You may proceed on your summarizing.

Mr. ANDERSON. Thank you. Sustainable agriculture, what does it mean? The vision of the Committee for Sustainable Agriculture has been that there are limiting factors to the present system of agriculture.

Being petrochemically dependent, we know that in fact fossil fuels will not be around forever. We are using them up at an astronomical rate and we are polluting our environment by using these.

So we have made a definition. Sustainable agriculture should be economically sustainable, socially just, and economically sound. I said, economically sustainable, ecologically sustainable as well.

It seems to me that the social and environmental costs are just now coming in on our present system. We are now finding that we have ground water contamination.

We have some degrees of risk. There are some contaminants that are in our food chain, maybe not as much as the media would like us to believe but there are some out there. We know that for a fact. I ate a contaminated watermelon myself one time, unknowingly.

Our rivers are becoming polluted and are not flowing properly. And our air and our soil has some problems. I guess, in short, I would say that our consumers have been tricked to some extent because they can not get food anymore that tastes like real food.

Store bought tomatoes do not taste like tomatoes anymore and so on. There are some exceptions. But generally I think our taste buds have gone a little bit dead. And some of the foods I think are slightly low in nutrition and are not properly balanced.

And I will tell you just a little bit about my personal experience because the thrust of what I want to say has to do with research with which the question has already been raised.

In 1981, I planted an almond orchard with the intent of making it an organic almond orchard and I was told that this would be impossible. That I would suffer severe frost damage at frost time and I would not be able to harvest because of organic material that would be in my way at harvest time.

I have not quite totally overcome the second hurdle but the first one for sure I have. The second hurdle, I am still working with. I have always gotten a crop out and my yields are reasonably good. They are not breaking records but they are reasonably good.

My return per acre is higher than the ones that I compare it with. The study that we are presently involved with at the University of California shows that my quality is superior to my neighbor's and I have never sprayed my orchard.

I use no chemicals at all. The fertilizer that I use is from a mine source. And, I am becoming certified as a California Certified Organic Grower, this will happen next year.

What I do with the certification, I am not sure, because I am marketing through Blue Diamond, a co-op, and I may be left with no choice but to sever that relationship because there is a premium price for organically grown product at this time, in fact, about 100-percent premium. It is very tempting.

I am not so sure that that will always hold or not but that is the present situation.

What actually happens is, in a system where you do not use chemicals, you have to depend on beneficials and my beneficials are home grown. I provide a habitat for these beneficials through cover cropping systems, and the planting of nitrogen fixating legumes.

In my case it happens to be a couple of veg species. I am experimenting with other plants but those two seem to be especially good.

When I started out on this, where did I turn for knowledge? The Committee for Sustainable Agriculture was my only source at that point. The university could provide me nothing. There was nothing that addressed the issue of organic almond culture.

They are getting information as I feed it to them through our study, and the study has been funded to the tune of $7,600 for a 2-year study. And we have a wealth of information and the media has picked up on us and they have had fun with us, too. We have had articles in the New York Times, the L.A. Times, People Magazine, and NBC had a news team there recently.

And this is good stuff, in my opinion. We are getting the word out that there are other ways to do things and I have enjoyed that involvement a lot.

So what I am alluding to is that the interrelationships of plant species and living organisms is what we need to be addressing.

We need to be studying how natural systems work. Our traditional agricultural system has been a monocultural system. The red light means I am running out of time.

The **Chairman**. Go ahead. I think we shorted you a little bit. Turn the light off.

Mr. **Anderson**. I will be brief.

The **Chairman**. We would like to hear your story.

Mr. **Anderson**. OK.

The **Chairman**. What information do you bring to us.

Mr. **Anderson**. The traditional system is a monocultural system as we can witness when we drive through the countryside.

I have created a polycultural system in my orchard encouraging beneficials by having these other plant species in the system on the floor of the orchard.

Massive amounts of organic material are grown in my orchard each spring and it is full of bugs and most of them are good guys. Most of them are good.

We only have four pests in the almond culture and we have hundreds of beneficials if we give them a home. And we need to understand that and we need to understand how that works.

So I think I would challenge you to help funding that addresses these kinds of biological relationships across the board throughout our agricultural system and I think we can back our way off of our petrochemical dependencies. And it will lower our input costs which I have already experienced. Thank you.

[The prepared statement of Mr. Anderson appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, sir. If you will kindly remain, we will ask questions of the panel. If you have the time we would appreciate it if you would stay.

Mr. **Anderson**. Surely. Thank you.

The **Chairman**. Dr. Smallwood. We are happy to have you, sir.

STATEMENT OF CHARLES M. SMALLWOOD, DEAN, SCHOOL OF AGRICULTURAL SCIENCES AND TECHNOLOGY, CALIFORNIA STATE UNIVERSITY, FRESNO, CA, ON BEHALF OF THE AMERICAN ASSOCIATION OF STATE COLLEGES OF AGRICULTURE AND RENEWABLE RESOURCES

Mr. **Smallwood**. Thank you, Mr. Chairman. My name is Charles Smallwood. I am dean of the school of agricultural sciences and technology here at the University at Fresno. I want to add my welcome to that of Mr. Peters.

We have a significant program here in agriculture and applied research and we always like to have agricultural policy activities take place on our campus.

I am presenting testimony on behalf of the American Association of State Colleges of Agriculture and Renewable Resources, the 54 nonland-grant universities of this country.

My testimony relates specifically to section 1417 of the bill, grants and fellowships for food and agricultural science as education. This section is a noncontroversial section of the bill and it has been beneficial to the food and agricultural system. We encourage continued authorization of this section. We are proposing some minimal but sorely needed changes to section 1417.

The changes are based on the need for authorization to perform the following functions:

One, clarify and better organize existing language. Two, administer undergraduate scholarship and or fellowship programs, particularly to those that can be targeted to minority students.

Three, target capacity building grant programs to selected groups of institutions particularly the 1890 land-grant institutions in Tuskugee or as future need arises, universities with significant Hispanic enrollments.

Four, acquire national data essential to evaluating the effectiveness of departmental programs aimed at strengthening higher education.

Five, support unique initiatives aimed at keeping scientists and professionals abreast of advancing science and technology.

Six, to establish a Secretary's award to recognize excellence in college and university teaching.

And this last suggestion is the only new part of section 1417 that we are suggesting, is to add an award for recognizing excellence in college and university teaching.

I have attached to my testimony some suggested farm bill language that I hope you will find helpful. Thank you very much.

[The prepared statement of Mr. Smallwood appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, doctor.

Mr. Seiber, we welcome you and we would be happy to hear from you at this time.

STATEMENT OF JAMES N. SEIBER, ASSOCIATE DEAN, RESEARCH, COLLEGE OF AGRICULTURAL AND ENVIRONMENTAL SCIENCES, UNIVERSITY OF CALIFORNIA, DAVIS, CA

Mr. SEIBER. Thank you very much, Mr. Chairman and members of the committee. I appreciate the opportunity to speak on the subject of university research in relation to the formulation of the farm bill.

The college of agricultural and environmental sciences at UCD, is the largest college of its type in the United States with approximately 6,000 students and 500 faculty and extension specialists.

We have sister institutions at Riverside and Berkeley and together we constitute the division of agriculture and natural resources within the university.

Our research in this system has always been strong in the agricultural sciences related to food and fiber production.

But I think one reason the university has maintained a very successful program over the years is that we have branched out into environmental quality, quality of life issues, and basic biology so that they are now important parts of our program.

I want to stress two points. First is that our college at Davis as well as our sister institutions in California and elsewhere in the country are at a critical juncture in modernizing.

Many of these institutions were built up in the 1950's and 1960's, did much of their faculty recruitment and building at that time, and experienced a relative leveling off after that growth phase.

Well, that phase has ended now and we are in bad need of rejuvenating our faculty. We have about 30 percent of our faculty retiring in the next 10 years at UCD alone and face the challenge of coming up with new teaching programs that will attract the brightest students in the Nation to come into agriculture.

We are also at a crossroads in terms of looking at nontraditional fields, in order to extend the land-grant tradition into, for example, urban areas, quality of life issues, regional planning, and things of this type.

The second point I would like to make is, in order to increase our momentum in this modernization, we rely on public funds both for the development of new programs as well as sustaining things that are ongoing and still viable.

Particularly, our facility infrastructure is in a very sad state of disrepair. For example, at UCD we have large animal research facilities involving dairies and sheep, which are in desperate need of total renovation.

We would also like to put in some very sophisticated long-term plots for studying new sustainable systems; this will require major new investments.

We are talking about an investment to build a foundation for research in the coming century in some of these areas. Of course, water quality has been mentioned several times.

In addition to the problems many other States have, California has a severe salinity problem in its central valley and a problem with selenium contamination in the Kesterson Reservoir not very far from here.

Biotechnology represents a growth area. We have heard comment on the need for new pest control technologies; biotechnology offers a real opportunity for us there.

UCD has experienced some of the public perception problems with biotechnology in our work with the ice minus bacteria; we have learned a lot from that particular field testing experience which we think will be helpful in future work with applying biotechnology.

In sustainable ag systems, UCD will emphasize the long-term plots that relate to mainstream production agriculture.

We think if sustainable techniques are to be used on a broad scale, we have to prove that they are useful to the large producers as well as the specialty producers.

In terms of food safety, people talk a lot about getting rid of chemical pesticides but the fact of the matter is that we have to have them for the short run.

The new requirements of pesticide reregistration put a special demand on our land-grant system to defend chemicals that are vitally needed through such programs as interregional project No. 4 which is run at UCD on behalf of the western United States.

Each of the above issues are to benefit from proposals associated with the farm bill. There has been no mention yet of the national initiative which would provide a half billion dollars to stimulate research in the university systems in general.

I would also mention the importance of the special grants and competitive grants in providing funding for our existing faculty and cooperative extension personnel and also to attract new people into agricultural research.

And finally I would like to put in a pitch for formula funds. They allow our researchers to break into new areas without the constraints imposed by other funding mechanisms.

So to conclude, we feel that agricultural research is at the threshold of a new era and we strongly urge increased Federal funding for research and extension to keep this momentum going. Thank you.

[The prepared statement of Mr. Seiber appears at the conclusion of the hearing.]

The Chairman. Thank you very much. Mr. Willey.

STATEMENT OF THOMAS H. WILLEY, MEMBER, BOARD OF DIRECTORS, CALIFORNIA CERTIFIED ORGANIC FARMERS

Mr. Willey. My name is Tom Willey. My wife, Denesse and I farm 35 acres near Fresno. We raise organic vegetables including potatoes, lettuce, peas, beans, and squash.

Our crops are grown very successfully without the use of any synthetic pesticide or fertilizer according to the requirements of California law for organic food and our farm is certified organic by California Certified Organic Farmers.

I am a member of the board of directors of CCOF and I represent the board and the membership of our association today.

We are very grateful for the invitation to speak to the committee. I will briefly address three main issues.

One, the growth of the organic farming sector and some general implications of this; two, standards and regulatory schemes for organic foods; and three, research and extension for alternative production practices.

California Certified Organic Farmers is a nonprofit, voluntary association of farmers and supporting members founded in 1973.

The association conducts an annual program of inspection, documentation, and testing which certifies that its growers are meeting the requirements for production and labeling of "organically grown" food as defined by State law and the additional more stringent requirements of CCOF.

At this time the CCOF certification program has enrolled 524 growers including about 48,000 acres of organic production.

We estimate the wholesale value of this production to be at least $150 million annually. Our membership encompasses the full spectrum of California agriculture from growers of less than 10 acres to those farming several thousands of acres.

Virtually every crop that can be grown in California is being grown organically including livestock products. As you might guess, our organization has been growing at a very rapid rate. Our membership has increased by 200 percent since 1987. And the acreage committed to the program has grown by almost 300 percent in the same period.

In the last 6 months alone, our membership has jumped by almost one-third. This is only one of the many indicators revealing a surge in consumer demand for organically grown foods and a matching desire on the part of farmers to meet that demand.

For many reasons, growers and consumers alike are seeking an agricultural system that provides fundamental alternatives to dependence on synthetic fertilizers and pest control.

There is a widespread consensus at the grassroots that our Government and educational institutions should be placing a much greater emphasis on developing these alternatives.

We believe that this should be a major theme of the 1990 farm bill. We would like to comment on two specific quality areas.

California is one of a minority of States which has legal standards for organic food. These standards have been the basis for the growth of the organic sector in the marketplace which have in turn provided the incentive for many growers to convert to organic production.

National standards are needed to facilitate this process on a wider scale and to provide consumers throughout the country with a clear understanding of products labeled organic.

We feel very strongly that comprehensive, minimum standards should be enacted by Federal statute. There is sufficient consensus within the industry for this to be done relatively quickly.

Further elaboration and ongoing interpretation should be conducted jointly by the industries, consumer, and Federal agencies.

State's rights to enact stricter standards should be preserved. While a minimum national standard is highly desirable, a large Federal regulatory apparatus is not.

Enforcement of a minimum Federal standard should be done primarily under State authority allowing a continued role for nongovernmental third-party certifiers.

A recent CCOF board policy statement on Federal standards is attached for the record. In addition, we are submitting the text of assembly bill 2012, a bill currently pending in the California Legislature to update the California organic standards.

We believe this is an excellent model for Federal legislation.

Many farmers want to move away from chemical intensive methods but they do not know how. The research and extension institutions are not yet helping them to find the information they need.

We urge the committee to study carefully the recent report on alternative agriculture released by the National Research Council of the National Academy of Sciences.

The recommendations proposed by this study are the minimum action that should be taken to address the need for a vast new body of agricultural knowledge.

The public at large, the mainstream farm community, the retail food industry all support greatly increased funding for research on nonchemical methods of pest control and other types of alternative practices.

Policymakers have not really gotten the idea yet that this is a long term, widespread concern that is not just a fad.

Substantial attention must be given to this lack of support in this legislative session. Thank you for your time and attention.

[The prepared statement of Mr. Willey appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Any questions? Mr. Condit.

Mr. CONDIT. Mr. Chairman, I would like to direct my question to Dr. Seiber, please. I would like to ask him to comment on the role of biotechnology and the cooperative extension in the adoption of technology and applied research and the need for funding research and extension programs regarding biotechnology.

Mr. SEIBER. Well, we are very fortunate in California to have an extensive system of extensions, farm advisors in all of the counties in California, as well as located on the campuses.

And biotechnology represents an example of the need for technology transfer which is still really in its infancy. As we develop some of the new, for example, pest control technologies based on biotechnology, genetically altered microorganism, for example, that might control a given pest, we will need to transfer that technology over so that the grower and the industry can adopt them.

That requires a lot of what we would call applied research. And that is the capability that our extension farm advisors bring to us.

So by all means we need to support and augment their capability to do the applied research which often goes unrewarded in the university system.

Mr. CONDIT. Thank you, sir.

One additional question to Mr. Anderson or Mr. Willey. I am just curious about your organic farms. Are you absolutely void of any residue or do you have a tolerance level for organic products?

Mr. ANDERSON. I have not tested for every potential residue that might exist. We are going to do more testing this year and privately on our own.

First of all, this kind of testing becomes very expensive. And the presence or absence of it in minuscule quantities is very hard to determine, but we intend to pursue that route.

So, maybe give me a year or two and I can give you a very specific answer. I think that Mr. Willey can do a little better with his product.

Mr. WILLEY. Well, my product has been tested several times in Fresno County by the Fresno Agriculture Department which is part of the California Food and Agriculture Testing Program. All of my products when they have been tested come up completely clean. Of course even if a farmer is producing without the use of chemicals, there is a possibility of residual soil chemicals from when that farm may have been in chemical production or also background and drifts from neighbors and things like this.

So our standards, the CCOF standards right now require that that type of contamination if tested be no more than one-tenth of what is the allowable standard of the FDA or just the Department of Agriculture.

If that type of contamination were to be found, it would only be allowed to be one-tenth in order for that product to be sold as organic.

Mr. Condit. Is that existing State law, Mr. Willey, or is that an association——

Mr. Willey. No, that is not existing State law. That is the requirement of our association which we are trying to incorporate——

Mr. Condit. So your association, the Organic Association has a tolerance level of one-tenth.

Mr. Willey. One-tenth of what the tolerance level is by USDA standards or FDA standards. However, the source of that contamination can not come from that farmer using that chemical in production. And that could only be from residual or background contamination, drift from a neighbor.

The Chairman. If the tolerance is 20 parts per million, you insist that it be one-tenth of that?

Mr. Willey. Yes, two parts per million but it can not be from your use of that product.

Mr. Condit. You made mention of assembly bill 2012 which is a bill in the California Legislature. Does it raise the tolerance level or define it differently than that?

Mr. Willey. The tolerance levels I believe remain basically the same. I do not believe the bill 2012 addresses that issue.

And basically what we are trying to do is control the production practices of an organic grower. And I do not believe that bill 2012 gets into specifically what those tolerances——

Mr. Condit. So you might control the way they farm by not rotating—rotating crops where you may apply pesticides to one and then the one you do not, still call it organic? Is that the kind of issue that deals with?

Mr. Willey. No, that can not be done either according to State law or CCOF at this time.

Mr. Condit. Thank you, Mr. Willey. Thank you, Mr. Chairman.

The Chairman. Mr. Herger.

Mr. Herger. Thank you, Mr. Chairman. I would appreciate a comment from you Dr. Smallwood and maybe after from you, Dr. Seiber.

I do not know of any farmer that I have ever been aware of that would use any more of the very expensive chemicals, pesticides, then they absolutely feel they are required to use in order to come up with the unblemished, perfect product that the American consumer is demanding.

So with that in mind, it sounds so encouraging always when I hear people like Mr. Anderson and you, Mr. Willey, who talk about your farm where you are able to grow your products and not use this.

And being a third-generation rancher myself, but not having the technical background that you have, I would like to hear your comment on that.

You must look at both. Is this something that American agriculture can go out and somehow use on a big scale and again come up with this unblemished, perfect product that the American consumer demands?

Mr. SMALLWOOD. No. I think that most of us would agree that the agriculturist in this No. 1 region of agriculture in America minimized the use of chemicals and other additives, one, because they are expensive. And, two, we are all interested in food safety and producing clean, safe products.

And I think American agriculture is moving more and more to a lower input operation that will produce a quality product.

And I agree with my colleague from the university that we are going to have to demonstrate the practices of lower input and biotechnology and integrated pest management and these things to demonstrate the use and practice that they are economical and that you can produce a quality product and be economically viable in your operation.

I think that that is the thing that we as educators and researchers and demonstrators have to continue to produce for the industry is that kind of information.

Mr. HERGER. Do you see this as being practical? Is this something that is over the horizon?

Mr. SMALLWOOD. We are going to have to move. We cannot do it right now. I do not think American agriculture, generally speaking could adopt the practices of the gentleman, Mr. Willey, right now.

We have to move to that direction and farmers have to learn how to do it. He did not learn this in 1 year. And we are going to have to move toward demonstration of practices and economic information that will support that.

Mr. SEIBER. In California many of us feel that chemicals will not be a viable option in as few as 5 or 10 years down the road as we look at some of the history of our legislative actions; and most recently with the 1990 Environmental Protection Act which has been referred to.

Now, that does not mean they will not be available at all, but certainly they will not be the mainstay for defense against pests.

We hear the cases provided by Mr. Anderson and Mr. Willey and we appreciate those as examples of what we could move to in the future.

The fact of the matter is, right now we have cut pesticide use and I have heard figures by as much as 50 percent in some of our mainstream crops in California through the use of integrated pest management.

Now, a 50-percent reduction is not as dramatic but I think it is very significant. So we do not want to overlook the fact that we are reducing pesticide use in production agriculture right now.

As far as the long-term outlook for some of the examples provided, again, I would reinforce what Dr. Smallwood has said that we need to do the long-term research before we go out and recommend that everyone do it.

Because the worst thing we could do is recommend a technology that is not proven and have the industry threatened with a catastrophe down the road with the technology that is really not yet proven.

Mr. LEHMAN. Mr. Chairman.

The CHAIRMAN. Mr. Lehman.

Mr. LEHMAN. Yes, very briefly I would just say that as I view it, the one single most important component of our ag budget is research for this valley. There is no question about it.

And it becomes increasingly more important as you see the trends developing before us. And as far as cost benefit ratio is concerned, I do not think we have ever made an investment that has been as beneficial for our economy as the investment we have made in ag research at the University of California and Fresno State and some of the other institutions.

What I see happening, and I think we are at a very critical juncture in this, is this valley which has had an agricultural base since the white man came here is becoming increasingly more and more urbanized year by year.

And as it becomes more urbanized, the conflicts become more acute. And the question is whether or not agricultural practices can change rapidly enough to accommodate the pressures that urbanization is creating.

We have seen the model of what has happened at Santa Clara, the model of what has happened in southern California, where not surprisingly the political climate changes, too, as the urbanization comes and things are viewed in different ways.

And right now we see several critical elements of this. Pesticide use is one. Water quality is another, land use, et cetera.

The only way we are going to meet that challenge and sustain agriculture as the leading economy of this area is through a tremendous investment in research to make sure that we can sustain the harvest and the crops that we have had.

And at the same time we are going to have to accommodate that growth. I do not see the counties or cities stopping it. So we are going to have to develop a model, that I do not know exists anywhere else, where we have this rapid urbanization and at the same time a great agricultural economy coexisting in the same area.

And from my point of view, anything we can do to encourage you to begin developing responses to that crisis, we ought to be doing.

The CHAIRMAN. Mr. Pashayan, do you have a question?

Mr. PASHAYAN. Thank you, Mr. Chairman. Just to ask roughly the same question I asked earlier, whether anyone had any comment on the idea of the Department of Agriculture expanding its research in the area of integrated pest management and other means of regulating pests? They probably had a thought on that.

Mr. SEIBER. Well, certainly we would encourage that. We do work with the Department of Agriculture, Agricultural Research Service now on several projects relating to biological control.

Now, biological control, people talk about it like it is a new thing. But it has been around 100 years and has made a major impact on agriculture already.

That is one example of an area. Biocontrol is a part of integrated pest management and there are several other things that we can push on including the resistant crops that are bred for pest and disease resistance which are not proven yet but may be the solution to some of our problems in the future.

Mr. SMALLWOOD. Congressman, we also encourage that support. And we have entomologists here who are utilizing those kinds of principles and trying to demonstrate those kinds of practices and they are becoming more prominent.

But we do need continued support for that. But as Congressman Lehman well knows, we have about a 1,200-acre farm right here completely surrounded by apartments and homes and so forth and we are trying to operate and utilize practices that demonstrate the safe use of agricultural practices and chemicals in producing a product.

We are also trying to utilize these practices in our educational programs and will encourage that.

I think that we have a responsibility to do this and demonstrate it more than we ever have before, other than just trying to teach somebody how to enter into production agriculture. We have more responsibility in that regard now to the industry.

The CHAIRMAN. Mr. Espy.

Mr. ESPY. Mr. Chairman, just a word. Within this 1990 farm bill that we will be marking up hopefully in the early part of next year and there are many titles.

One of the titles that we will be considering is a Rural America Development Act. Last year when we were talking about production management, we received a lot of calls of concern from elements of agribusiness, the flying services, the implement companies, the fertilizer companies all of which have served over the years to develop agricultural communities.

I would just like to inject a word. The chairman said earlier that our charge, if you will, in this committee and in this area, is really to find the midpoint to a lot of these discussions.

I believe that what we need to move toward is a greater ability to deliver chemicals more effectively and more efficiently and in a way that will not impact on the environment.

And Dr. Smallwood and Dr. Seiber, the research capacity will impact in a great way on this.

In fact, as we sit here today, we do have delivery systems where we can encapsulate a granule of insecticide. We can encapsulate it through developments in polymer science and apply it to the crop directly and have it have a kind of a time release mechanism on it right now where the insecticide will release directly on the plant.

And well, the ability that it will drift to other crops will be minimized. It will not get to the environment as readily.

And even there is an ability to view it with an insect attractor to where it will kill that insect directly. So if we embark upon this, just let me say, their songs are concerned about the impact on agribusiness.

I have a district that I represent where the per capita income is about $9,000 a year. And I want to know how to attract businesses to my area. I do not want to tell the flying services and the fertilizer production companies and all of the rest that in the next 10 years, you will not be needed any longer.

I want to find a way through research that we can enhance their capacity to thrive.

Thank you.

Mr. SEIBER. I would make a brief comment on that. Pesticide delivery is a real area; it is an area of bad need of major improvement.

As little as 10 percent of what is applied actually reaches the target. And that causes downwind drift problems and contamination of nontarget crops and things of this type.

But the point I would like to make is we need these applications technologies not just for chemicals, but some of the microbial pest control agents that are going to replace chemicals, need to be delivered also.

So, I agree with you completely that an investment in research in application technology would be very wise at this time.

The CHAIRMAN. Thank you very much.

Mr. WILLEY. I think our organization would like to obviously see a great more emphasis placed on research and extension services for natural pest control.

We really feel there should be a lot more emphasis upon cooperating with natural biological systems that exist out there rather than putting all of our eggs in futuristic baskets like biotechnology and genetic engineering.

One example in the biotechnology and genetic engineering field is there are companies out there that are racing each other trying to introduce the potential of a plant to produce BT, or Bacillus thuringiensis—which is a bacterial agent that we have been using for 20 years in the control of worms in a lot of different crops in this area and it is very expensive.

And so these folks would like to have these plants produce it all on their own so it is out there in the field and the worm comes around and takes a bite out of a plant.

But there is a lot of danger in this, too, because by bombarding the environment with this material every day out there in these fields if these plants produce it themselves, we run a much greater risk with this material becoming obsolete and ineffective, because the worms are exposed to it all of the time and insects can have generations and generations and generations every year, and much quicker they will develop a resistance to this very important effective material than if we use it judiciously where it is needed, the way we are doing it today.

There is also these ideas where we can find plants in nature that are producing their own toxins. And biologically manipulate these plants to boost up the toxin level so that they will kill any insects that come into contact with them too.

There is a lot of potential danger in that too because some of these toxins that occur naturally in plants are dangerous to human health. They could be as dangerous to human health as some of the synthetic chemicals that we use.

We do not advocate doing that either. We advocate using more natural systems.

For instance in the L.A. area in just the last summer months there has been the introduction somehow or another of a new white fly. It seems like every week we have something piggy backing in here, Medflies, white flies, whatever. I forget the name of the white fly.

The gentleman from the university might be able to correct me on some of the specifics of it. Some gentlemen from the University of Riverside I believe were sent over to the origin area of this insect which was Italy I believe. They had a very difficult time finding any evidence of this insect because it was naturally controlled very well there and there was no economic danger.

Whereas this white fly is becoming a tremendous danger in this area. He plowed through the underbrush like Indiana Jones for a couple of months I believe and finally found some eggs on a twig that had been parasitized by a wasp. He got those wasp eggs and he brought them back to California now and they are hatching these out.

And today they have great hopes in the next couple of years, they will be able to introduce these wasps into our environment here and it will eliminate the threat of this white fly.

These are the kinds of things that we would love to see a lot of money put into. And there are also things that we are already doing on our own farms that work. We do not have to reinvent the wheel in research.

There are farmers out there, thousands of acres of farms that are doing these things successfully and we need to collate this information, get it from the farmers, disseminate it to other farmers.

And the future is really now. You guys are talking, can this be done in the future. It is being done now.

There is a representative of the cabbage farms here who is one of the pioneers in California. They grow 2,000 acres of organic table—they have been working on this for 15 years.

If you would like to hear from him, he could give you some tremendous information. It is already out there.

The CHAIRMAN. Thank you very much.

Mr. PASHAYAN. May I just make one comment? I think it is going to be inevitable that the Federal Government is going to get more involved in researching this kind of thing.

And I think it is very important that the agency to do that shall be the Department of Agriculture rather than other agencies you might think of.

I hope your committee will take the initiative and install something like that in the Department of Agriculture because I would rather see it there than, as I say, in other agencies.

The CHAIRMAN. I would like to say, gentlemen, this is already being done. Like Mr. Willey says, it is here. It is being done.

ARS is working. APHIS is working. To me I think it is probably the highlight of our hearing today that we have two distinguished educators from two great universities, a gentleman representing sustainable or low-input, and a gentleman representing organics—and you are seated here together. It means that it is working and it can work.

It is just a question of getting it all together. We may not be able to satisfy you entirely, Mr. Willey, because there is a natural problem inherent in every plant and every fruit tree that it has its own fungus or whatever and if you bring something else in, it may cause another problem.

A long time ago in Texas we had problems on the coast. They said if you bring this little animal called a nutria from Louisiana, it will just eat up all of the weeds on the side of the bay.

They brought them and they ate all of the weeds on the side of the bay and went into the rice fields. Now we are shooting nutria. We may have some people who may not agree to that course of action here.

We have, as Mr. Barosso mentioned, and I did not want to even touch on it, but there is something called pyrethrum. It grows in the lower levels in the mountains in Kenya.

The pyrethrum plant has a secretion which will attract insects thinking they have found a mate. They so excite the insects that it flies itself to death.

You can put pyrethrum on a tomato and eat it right after you put it on. But it has lower shelf life and a lot of other problems associated with it.

For the media specifically—we can not assume because sometimes perception becomes reality. You have heard that phrase. Chemicals or pesticides or insecticides are used for more than just agriculture. Termites for example.

We do not want to leave the perception that the use of tools with chemical or petrochemical composition is entirely within agriculture.

It is out there in all phases of human living. Sometimes, Mr. Willey, you have termites inside of your house, there is a mud wasp that will fight the termite.

But somebody in downtown Fresno is going to have to go find where there is a mud wasp, to bring them back and put them on the side of his house to attack the termites.

Sometimes there is the problem of the availability. There will not be enough anteaters in Africa to come and turn loose in the United States to go after red ants, black ants, brown ants, and the teeny weeny ants I can not get out of my kitchen.

So it is a question of how we get them together. I agree with you. It is something that we need to go have research on.

The basic technology is within the human element. We have passed it from generation to generation. These gentlemen at the universities are trying to find the technical answers, to teach it to someone, and they have to put it together so that it can be helpful.

I might mention, Dr. Seiber, that I know you could not have two university people without mentioning money down the line. About the $500 million. I do not know the budget implications but we will do what we can.

There is a favorite phrase, "The world will little note nor long remember." It was a young Congressman from Texas named de la Garza with Congressman Wampler of Virginia that started the competitive grant program in the 1977 act.

I just mention that in passing. I could not pass it up. But we can get it altogether. There is no prohibition now in the farm programs like you can not do it like Mr. Anderson wants to do it.

There is no prohibition that you can not do it like Mr. Willey likes to do it.

I came here to speak at Cal Poly Tech a couple or 3 years ago. It was a small farm seminar, I guess, and we were talking to people who operated maybe 40 acres or less. A major part were like you, Mr. Anderson, for low input or you, Mr. Willey, organic.

We need a finite definition because a store in Texas has a yellow plastic ribbon on a table that says, organic produce.

I asked the produce manager: How do you know whether it is organic? I mean, we have no State or Federal defintiion. He says, well, the farmer tells me it is organic and I put the yellow ribbon around it. That is how he is defining organic. We need to have a definition, either the one from your organization or the State or whichever, of what basically is organic. At Cal Poly Tech, a lady had I think 4½ acres of a crop and she said it was all organic. I said, what do you use for fertilizer? She said, I use commercial fertilizer. What she meant was she did not use any insecticides or pesticides. But she used commercial fertilizer which is not organic according to your definition.

There is a gentleman in Texas that has about a couple of thousand acres of wheat who sells the flour and calls it organic.

I asked him, where do you get your fertilizer? Well, there are a lot of feed lots in that area so he got fertilizer from that area.

Then I said, do you ever use any chemicals. He said, well, not unless I have a bad infestation. So he was, I guess, most of the time organic but if he had a bad infestation, he went to chemicals.

Goodness knows you could do a lot of things. A long time ago, Mr. Willey, I had my little garden in the back yard. I grew up with my grandparents. I was having problems with my tomatoes. A gentleman across the street that I will always remember and love because he spoke to the youngsters at your level and at his level.

He did not look down at you. I told him, I am having a problem with my tomatoes. He said, plant garlic in between the plants. And I did. It got rid of the wasps that were messing up my tomatoes. That was integrated pest management, I guess, or biotechnology at its highest level.

But you can not ask a fellow with 2,000 acres of tomatoes to go plant garlic in between every tomato plant. Maybe a pyrethrum plant. But it can be done. You are doing it, Mr. Anderson.

We are going to continue with research. I do not know truthfully if you can ever get rid of entirely having a human additive of some kind besides ingenuity which is what you use.

I do not know if we can ever do that. But it is not beyond the norm to aspire for it and make it compatible. Eventually, that is another perception that becomes reality.

People think that farmers plant what they want to plant for their own reason. No, you are planting it because somebody is going to buy it.

You hope that you can sell yours at a premium. Perception is that farmers plant willy-nilly and they use willy-nilly whatever they have. No, sir. The consumer is the one who is going to decide what they want, when they want it, how they want it, how it looks.

But you need the scientist too. I wish that they would go and find a way to make watermelons grow so they do not have a white spot at the bottom.

We just had Halloween. There is no round jack-o-lantern. It has a flat side. I challenge you to go find a way to make jack-o-lantern grow up without the flat side so we can have a completely round jack-o-lantern.

The mind has the capability of tremendous initiative, tremendous desire, to experiment and make the world a little better for us. And we are.

I took this from Paul Harvey, so this has to be true; 74.7 years I think is our life expectancy. That life expectancy comes from genes, some degree of exercise, and proper nutrition with good healthy food. That is what it takes. In the United States we are lengthening our life expectancy.

It has to be from a combination of what you two gentlemen do and what you two gentlemen would like for all of us to do and some combination therein, Mr. Willey.

Mr. WILLEY. I think you are right. The human input will never be replaced. But we feel like a human input or the ingenuity that is raised to the highest level is that of the farmer that respects and serves nature.

And the misconceptions of what are organic are certainly out there and that is the problem we are trying to address and that is why we submitted the work that we have done in a concrete nature to define what is organic and to regulate how the product is produced and we offer to you and to the USDA as a model of how we can proceed with a concrete definition on a national level and clear up those misconceptions.

The CHAIRMAN. We appreciate that. Nature itself sometimes is the worst polluter. I was in darkest Africa, the river that runs between the top of Cameroon and Chad. You could not drink the water. You could not swim in the water and there was no human chemical use within 1,000 miles of there. Nature had polluted that river.

I thank all of you for being with us today. We appreciate your contribution.

The next panel is Mr. Richard Cotta, James Gruebele, Roy Sharp, and Jay Wilson.

We will proceed as your names appear on the panel list, reminding you that your statements if you have a prepared statement will appear in the record in full. We ask you if possible to summarize and we are hopeful that you might be able to do it within the 5 minutes. But do not get concerned about the lights. That is just to give you some guidance. Mr. Cotta.

STATEMENT OF RICHARD L. COTTA, EXECUTIVE VICE PRESIDENT, WESTERN UNITED DAIRYMEN

Mr. COTTA. Thank you, Mr. Chairman. My name is Richard Cotta, executive vice president of Western United Dairymen.

We appreciate very much the interest in California shown by the committee in this hearing. Sometimes we get the feeling that we are just far enough away from Washington, DC that our efforts to be heard are muted.

Therefore, the extra effort on the committee's part is duly recognized. Western United Dairymen is a trade association representing dairymen throughout the State of California.

Our organizational structure and system of membership meetings allows us to develop policy by dairymen who ship to all cooperatives and almost all of the proprietary plants in California.

We are very aware of the economic significance of this committee's decisions. We are also aware of the industry's uniqueness operating under our own State marketing order.

Just to make the point more realistic, we call your attention to the fact that our California class I price today is $13.28.

The Minnesota-Wisconsin price announced yesterday for October was $13.87 which means our class I or fluid price is 59 cents lower than the basic Minnesota-Wisconsin price for the month of October.

The 1985 farm bill used a number of procedures to help bring the Dairy Program close to a supply/demand balance. The key to making the title 1 provisions or the dairy provisions work was using a combination of voluntary supply management programs coupled with mandatory price reductions and producer funded assessments.

It would be a mistake to think any one of these factors alone would have brought us from the pre-1985 surplus situation to today's near balance.

There is no doubt in our minds that the dairy termination plan was one of the most cost-effective programs ever administered in the law.

Many of the same principles which served as the basis of the 1985 farm bill could be used for the 1990 farm bill. We would support most of the principles with some adjustments.

Some of those adjustments would be: One, the Secretary of Agriculture should be able to continue to reduce the support price in the face of excessive purchases.

However, the method of estimating those purchases should be adequately defined including the use of total solids to determine milk equivalence.

The current method of determining milk equivalent purchases based solely on the fat method is obsolete, is inaccurate, and should be replaced.

We support moving toward a total milk solids basis. This requested change can be easily understood and supported by looking at the USDA Market News Report, volume 56, No. 43. It is an attachment to my written statement just to look at it briefly, showing uncommitted CCC inventories in 1985, the last week of October 1985 being 148 million pounds of butter, 651 million pounds of cheese, and almost 1 billion pounds of uncommitted CCC powder, the last week again in 1985.

Looking at it in today's report, the same week, 1989 showing 181 million pounds of butter, zero pounds of cheese in uncommitted inventory, zero pounds of non-fat dry milk in uncommitted inventory.

So I think the movement that has been made in the dairy program certainly toward the market-oriented approach has been a successful one.

Two, we also feel that the 5-billion-pound milk equivalent figure is too low and should be set closer to 7 billion pounds.

Three, it is important to realize that $2.50 per hundredweight support price reductions over the past few years have moved the industry very close to the edge of economic failure.

The projected support price in California in January 1990 could be $9.53 per hundredweight. If prices fell to support, it would be a decrease in excess of 25 percent from today's prices.

Therefore if that same price-reducing procedure is to continue in the 1990 act, it should be accompanied by other permissive programs which will make production adjustments as easily as possible.

If the goal is to reduce supply, let us be supportive of concepts that keep the majority of producers economically viable.

We propose and support the following programs be available to the Secretary of Agriculture to be implemented simultaneously with future price cuts in the 1990 farm bill: (a) a voluntary heifer removal program, (b) a voluntary whole-herd buyout, (c) a voluntary milk diversion program, or (d) a short-term—1 year—two-tier base-type program.

Mr. Chairman, these are the basics of our suggestions. We thank you for your consideration and look forward to working with the committee in the coming months.

[The prepared statement of Mr. Cotta appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Dr. Gruebele, we welcome you, sir. We would be happy to hear from you.

STATEMENT OF JAMES W. GRUEBELE, CHIEF EXECUTIVE OFFICER, DAIRYMAN'S COOPERATIVE CREAMERY ASSOCIATION

Mr. GRUEBELE. Thank you, Mr. Chairman and members of the committee. My name is James Gruebele, chief executive officer, Dairyman's Cooperative Creamery Association.

And as Mr. Cotta indicated, the dairy situation has changed dramatically in the last couple of years and except for the fat side the dairy industry has achieved a market equilibrium situation.

The 1985 Food Security Act, which provided for a Whole-Herd Termination Program, removed 12.2 billion pounds of milk on a milk equivalent basis.

And the act also provided for a 50-cent per hundredweight adjustment in support price if Government purchases exceeded 5 billion pounds on a fat-equivalent basis.

While the Whole-Herd Termination Program removed resources, the price provision helped to maintain balance in supply and demand for milk.

A third reason why the market has achieved equilibrium is of course the 1988 drought situation and the European Economic Community policy of tightening national bases which has made our participation possible in international markets as far as nonfat dry milk powder is concerned.

As a result of this situation, the Government's purchases of nonfat dry milk powder decreased from 1 billion pounds in 1983 to zero in 1989 and cheese from 832 million pounds in 1983 to 36 million pounds in 1989 and butter purchases from 413 million pounds in 1983 to 357 million pounds in 1989.

The domestic price range for powder is now $1.60 to $2 per pound compared to a support price of 79 cents.

The domestic cheese market is about $1.55 or about 40 cents above the support purchase price.

We find ourselves almost in a shortage situation on the skim side; but have somewhat of a surplus condition on the fat side.

The Secretary of Agriculture did shift 50 cents per hundredweight from butter to powder as a result of the 1988 drought legislation.

We recommend a further adjustment that is another 50 cents per hundredweight shift from butter to powder. This will enable us to realize increased consumption levels for butter domestically plus perhaps enable U.S. firms to participate in international trade markets as far as butter is concerned.

The 1985 Food Security Act helped to achieve and maintain a balance in supply and demand for milk. Since it was successful, it makes sense to include similar provisions in the 1990 farm bill.

We recommend maintenance of a program to adjust price support upward or downward depending upon levels of Government purchase.

Provide additional discretion to the Secretary of Agriculture by providing for a range of price adjustments rather than the specific 50-cent adjustment as provided by the 1985 act.

Permit the Secretary of Agriculture to shift value from butter to powder or vice versa any time supply and demand conditions dictate rather than wait until the end of the year when trigger mechanism might call for an adjustment in the support price.

We also recommend a change in the measurement of milk equivalent purchase of dairy products. The current method reflects only butter purchases and ignores the level of powder purchases.

The method should be changed to reflect both butter and nonfat dry milk powder purchases. The staff of the Economic Research Service could provide the technical input to change the measurement technique.

If standby authority is required, our cooperative association would again support a Whole-Herd Termination Program, heifer buyout, or Voluntary Pay Diversion Program.

But such programs should not be required if adequate discretion is provided to the Secretary to adjust the support prices in response to changes in the purchase of dairy products under the price support program.

Perhaps if special technology like bovine *Sematatropin* were widely adopted, then a voluntary program could be implemented at that time.

In any case we recommend the use of price rather than mandatory supply management program such as that supported by the Midwest Dairy Cooperatives.

One of these programs is called a two-tiered price or some call it, inventory management. These programs are not voluntary. They are mandatory and we are opposed to those programs.

A two-tiered price program impedes sound business decisions. Under the price program, as used in the past, producers are free to expand herd sizes, milk production increases in some regions of the country while decreases occur in other regions.

The price approach allocates resources efficiently. The law of comparative advantage operates freely. A two-tier price would be disruptive to the law of comparative advantage because production would be frozen nationally as well as regionally.

In addition, the two-tiered price would require a lot greater involvement as far as slaughtering cows and heifers because two-tier price had it been implemented in 1985 under the 1985 Food Security Act, many more animals would have been sent to slaughter.

So the effect on the beef industry would have been much more substantial with a two-tier price than was the case with the voluntary herd or whole-herd buyout.

A two-tier price approach provides a major barrier to new entrants. The cost of producing milk would be higher than under a price approach. And it also would impede production increases on efficient dairy operations, and would permit inefficient dairy producers to remain in business.

New technology would be stifled under such a program. Producer herd sizes would stagnate and consumer prices would likely be higher with a mandatory supply management program than under a price approach and consumption would be lower.

The U.S. dairy industry would be more competitive worldwide under the price approach and will continue to be so if we continue that approach rather than implement a program of supply management.

I think in conclusion I would say that the dairy industry is very close to supply/demand balance. The only area of concern is on the fat side.

That situation is not a problem of supply management but is a price problem and I suggest that we continue to shift value from butter to powder. That is the best way to get that job done.

Price is the best allocator of resources. And the past few years again proves that the price system can be used effectively to maintain a balance in the supply and demand.

[The prepared statement of Mr. Gruebele appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, sir.

STATEMENT OF ROY SHARP, CHAIRMAN, AGRICULTURAL POLICY COMMITTEE, CALIFORNIA CATTLEMEN'S ASSOCIATION

Mr. SHARP. We welcome you to California again.

The four areas we would like to comment toward are the dairy, commodity programs, conservation provisions, and the Emergency Feed Program provision.

The dairy title. After the economic debacle of the Dairy Termination Program in terms of its impact on our regional beef cattle market, we are adamantly opposed to a repeat of that program.

We lost 12 percent of our cash market in a matter of 1 to 2 weeks. We remain convinced as we were in 1985 that the best course for the dairy industry is a market-oriented, not a Government-regulated program.

We accept the consequences of market driven actions. We can not abide the effects of regulatory actions pursuant to a Federal program.

We recognize that adjustment to a market orientation will take time and that in some areas of the country the adjustment may have consequences for rural communities and rural economies.

We suggest a 3-year phaseout of the price supports, research into efficiencies in milk storage and transport, and a temporary shift to direct income transfers in those areas where economic impacts are of concern.

In the commodity programs, again we urge a market orientation to commodity programs and believe that a step was taken in this direction with the 1985 farm bill.

We must continue on that track to insure that farm programs do not impact the market for feed grains and other program commodities.

The PIK Program was very expensive to California as an importing grain State. We are concerned over an inequity of the programs that permit non-U.S. buyers access to grain at below market rates but precludes domestic buyers from bidding under similar terms. As a grain importing State, we are placed at a competitive disadvantage as a result.

We remain strongly opposed to haying and or grazing on any land idled under the various commodity or conservation programs.

We have seen the impact on our markets for both forage crops and livestock. We may also have seen an impact on land values as the private person who must compete with this subsidized use of the land faces a lower return, hence a lower capitalized land value than would occur without the competition from haying or grazing program acres.

Conservation provisions. We are concerned that an undue emphasis may be placed on some conservation uses of land to the exclusion of agricultural uses of the land.

If some examples we have seen of conservation easements from the U.S. Fish and Wildlife Service on Farmers Home Administration acquired property are any indication, the conservation provisions may be used to prevent farming rather than enhance conservation.

Any conservation provisions in the 1990 farm bill must resolve conflicts between agricultural uses and environmental issues.

Rather than writing provisions to stop agricultural production, the focus should be on achieving a balance that includes continued production.

We oppose broad brush programs like tree planting programs. We are faced with the prospect of such programs within our own State and believe them to be colossal wastes of taxpayer's dollars.

Emergency Feed Program. We opposed haying and grazing of acreage idled under a Farm Program. We also believe the Emergency Feed Program should be changed to assure that it is not abused and becomes in fact a market-oriented program.

We advocate the use of catastrophic insurance programs instead of the various short term and immediate disaster relief programs.

In fact, we urge that such catastrophic event coverage be considered for all commodities presently covered under existing disaster relief programs.

In such a short timeframe, it is difficult to cover the needed areas. I would like to try to sum up the feelings of the majority of agriculture, not just the livestock people but all farmers who make a primary living from agricultural production.

We have been locked into a very expensive and self-defeating subsidy program for many years that has guided production according to the subsidy payments not the true market.

This has produced surpluses that adversely affect all of our market prices. When an outside force such as the Government tries to change things, yet it always adversely affects the related industries because no one can foresee accurately all of the ramifications.

Disaster relief programs are a fiasco. They help some at the expense of others and penalize the good managers and protect the inefficient.

The 1985 farm bill was a start in the reduction of supports and we would wholeheartedly endorse a continued reduction in supports and some type of insurance program that would be primarily self-supporting but would be available to those who wish to participate and would protect against disaster situation.

Those who did not wish to participate would be on their own. Please, do not let a well-funded minority influence the Government into programs that are selfish and nonconstructive. They crucify all of the good intentions of true agriculture.

You have heard today about more for research. And we certainly confirm our beliefs in research in all of agriculture.

We could reduce our national deficit by shifting money from support programs into research and gain more in the long run. Thank you.

[The prepared statement of Mr. Sharp appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Wilson.

STATEMENT OF JAY B. WILSON, EXECUTIVE VICE PRESIDENT, CALIFORNIA WOOL GROWERS ASSOCIATION

Mr. WILSON. My name is Jay Wilson. I serve as the executive vice president of the California Wool Growers Association, a trade association representing over 2,500 sheep producers in the Golden State.

California Wool Growers Association is the oldest agricultural association in California and a member of the American Sheep Industry Association representing 125,000 sheep and goat producers nationwide.

I am here today to express our industry's support for the extension of the National Wool Act of 1954 which expires in 1990 and will be considered for extension as part of the 1990 farm bill.

California Wool Growers Association and the American Sheep Industry Association support the extension of the Wool and Mohair Program in their present forms.

The Wool Act of 1954 changed the basic nature of the Wool and Mohair Program from a price support loan program to the existing program which has no net cost to the American taxpayer.

To offset the market depressing impact of imports, incentive payments are authorized based on production and market price.

These incentive payments have stabilized wool prices making it economically feasible to produce wool. Funding for the incentive payment is supplied through a tariff collection on imported wool.

The tariff provides a continued appropriation to the Commodity Credit Corporation. U.S. sheep producers then receive payments based on the price they received for their individual wool and mohair clips.

Under the provisions of the Wool Act of 1954, wool incentive payments can not exceed 70 percent of the amount of wool duties collected.

Although the law entitles producers to as much as 70 percent of the tariffs collected, the payments for wool and mohair have only averaged 35 to 40 percent of the amount available over the past few years.

In 1988, $435 million was collected on wool tariffs. Of that total, $130 million was paid to producers thus leaving $305 million surplus in the U.S. Treasury.

Incentive payments are important to producers for two reasons. The payments provide a steady income for U.S. wool and mohair producers and build stability in the U.S. wool market.

When wool prices are higher, incentive payments are down and vice versa. This helps the individual American producer compete against the market advantages of foreign wool boards.

Second, the National Wool Act contains another important feature which allows sheep producers under authority granted through the USDA and the Secretary of Agriculture to implement a self-help checkoff program.

Each year a portion of each wool incentive check determined by farmers and ranchers is withheld for promotional advertising and educational programs.

This program has been instrumental in providing the sheep industry with answers for improved management, with critical animal health issues, increased demand for wool and lamb, lower costs, and stabilized incomes.

The National Wool Act was the original commodity checkoff program. Small sheep producers particularly in northern California raise sheep for show, local markets, or to meet their own table needs.

The Wool Incentive Program not only encourages these individuals to market their wool but to prepare and market it properly.

The proper preparation of wool is vital to making sure that the U.S. and California wool retains its reputation for quality.

The promotional and educational dollars that are provided by the Wool Act through the checkoff program are helping our industry educate new producers as they enter the sheep industry to properly prepare their wool.

For many of the "farm flock" families the wool that they market is the only cash profit they receive from their sheep.

Throughout the State, sheep are grazed on a wide variety of terrain vegetation. Sheep pastures include the use of foothills, deserts, mountains, alfalfa fields, produce fields, and vineyards.

In almost every case sheep growing are graze areas that can not economically or environmentally be used for any other form of agriculture.

It is important that these areas be grazed not only to provide man's basic needs of food and fiber but to enhance the environment.

Grazing is an important fire control management tool when used to reduce fuel load in California's grasslands.

In conclusion I would just like to once again express our industry's support for the continuation of the Wool Act. I would like to thank the chairman and the committee members for coming to California and look forward to working with this committee as the farm bill progresses through the next year.

[The prepared statement of Mr. Wilson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

I thank all of you for being here. Just one item that I would like to mention. Mr. Sharp, not taking issue with your testimony which we appreciate very much, but again perception becomes reality. The support, the total Federal budget of this great country of ours is over $1 trillion, $1 trillion plus.

All agriculture, the vast Department of Agriculture, has an impact on the total budget of now less than 4 percent. You can see the green and the yellow? The yellow is if you follow the Department of Agriculture, the impact it makes on the budget is the bottom line.

Let me just show you this. Here are the areas of Government spending and the budget, Social Security, net interest on the debt and so on. The little red, that is agriculture at the bottom.

Awhile back I was frustrated. I felt that I just could not articulate simply enough or sufficiently enough the fact that we did not even make a dent as far as the budget is concerned. But the perception of the people was that the budget was out of balance because of agriculture.

I was very frustrated so I talked to our economist on the committee and I said, maybe we should make a chart. Everyone now uses audio/visual aids. I said, let us make a chart.

Put in red, the total budget. Superimpose in blue or in black what we spend for support programs. He came back a couple of days later and said, it will not work. It has to work, I said. Put in red, total budget. Superimpose agriculture.

Here is the reason it would not work. Do you see that little line at the bottom? That is the so-called subsidy that the world keeps pointing at.

I say that not in contradiction but to put it in its proper perspective. They used to tell us that we could balance the budget if we did away with food stamps.

Food stamps would not even show up on the budget. That is the impact that we have. That is something that will probably be less in 1989 and probably will be less in 1990.

Not that we should not try and reduce it. You mentioned, Mr. Sharp, that the 1985 act took us along those lines and we will.

But the impact of the subsidy on the total budget is infinitesimal. Yes.

Mr. SHARP. I agree entirely with what you are saying. And I think that agriculture in general realizes that. And I think it is important that that be demonstrated as you have done there to the other segments of Government.

In agriculture we feel responsible for our area. And if we can help in contributing to reducing deficits, we feel that is our responsibility anyway.

As livestock people and as agricultural people, we feel that the biggest problem is that as we get into supporting certain areas it becomes unfair to other areas.

And if we are to survive in a free-market system basically, we are defeating our purpose as we get into support or supply regulations.

And where it is difficult for one area that is not under those certain circumstances, makes it very difficult in competition with those that are protected. And I am not saying something that I am sure you do not realize.

But the dairy industry and I am not picking on the dairy industry, but——

The CHAIRMAN. They are right along side of you.

Mr. SHARP. I realize that. We know each other. But you have a situation that happened in California. One thing that the dairy programs were based on is trying to make a financial success of the dairy industry.

And they were allowed to be able to incorporate into their support structure, the cost of their feed. And if the cost of feed went up the price support went up during a certain particular time.

What this did, it threw things out of balance for the people in the feeding industry and the other industry. They could not compete as easily against that type of a pricing structure.

And that among other reasons has changed the feeding industry in California tremendously. Those are just examples of what happened.

In Iowa today, over 50 percent of the farmland is owned by absentee owners. The absentee owners are the ones who have a guaranteed income from the crop support systems the Government installed. We do not think that is a fair way to approach agriculture.

We think that it needs to be done on incentives of pricing and market orientation, extremely important.

The CHAIRMAN. Well, I would agree with you. But it's simply that you just own a piece of land out there, you get this support program. You have to be an actual participant in the program. We have tightened that up.

Mr. SHARP. There have been improvements, no question about it.

The CHAIRMAN. There are ways. Probably the biggest subsidy of all comes through an enlightened use of the Tax Code.

Mr. SHARP. Absolutely.

The CHAIRMAN. You well know that.

Mr. SHARP. That is right. The change in the tax structure will be of great benefit to the true people who are in agriculture.

The beef industry is an example. Probably is operated by 80 percent of the people who do not make their money from beef raising. That is a strange situation but that is a fact. And tax situations have caused those changes.

The CHAIRMAN. I might add, we have a problem in the dairy sector. I was asked by some of my colleagues in the European Parliament, why is it that you are so productive? I said, well, it is the nature of the American. Who is going to try and breed cattle that give less milk? Who wants to be known as the lowest yield producer of corn in Iowa?

Even Mr. Anderson with his low input sustainable agriculture—I do not know that he would want to go and say, I am the one who produces the least almonds per acre or per tree.

So this has been the American initiative of more and bigger and better.

You would not want to start a breed of cattle that has less beef than what you have now. You do not want smaller cows. You do not want less beef on the bone.

So we are caught in our own success of bigger and better. This is something that if—not as a defense but—sometimes Government has to intervene somehow.

Sometimes, Government intervenes and no one complains. Like quality. We have heard from a panel this morning how you check food for drugs and aphids. We want Government to intervene so that you have safe production of food.

Then there is a point in time when it must intervene somehow to keep a balance. Congressman Espy hit on it. There is this perception that the farmer gets the money and goes and puts it in the bank, not in the S and L's anymore, I guess, or under the mattress.

But he does not. It goes to the church, to the school tax, to the State tax, to the drug store, to the grocery store, to men's apparel, women's apparel, to the fertilizer, to the seeds, to the implement dealer, to the car dealer. That is where all of that money went.

Mr. Barosso, I think that is why we have problems in rural America. Had it not been for some Government intervention, it would not have been the farmer alone. He would take with him the implement dealer, the car dealer, the grocery store, everything down that Main Street in the small towns and villages.

When we were working on the 1985 act one of my urban colleagues said, "Hey, I am with you. I would like to help you. I know that you are doing the right thing but what can I tell my urban constituency?"

This colleague is from Michigan, from Detroit. He says, "Who could I tell that I voted for some farm bill to pay farmers not to grow? What can I tell them as a reason?"

I said, "You tell them that I said, pickups." He said, "What?" Pickups, no farmer, you do not sell pickups from Detroit.

He said, "I get what you mean." Why would a farm bill help Detroit—pickups and cars. Wherever they produce the tractors and all of the implements. Then there's the grocery store and all of the people that use wool and all of the people that use cotton. If you did not keep the farmer in place, then everything would get all messed up.

We just have to try and put it together. I think we will with input and with gentlemen like you and we have had one lady during the day. I think that we are aiming the right way.

The human instinct for survival is probably the greatest asset that mankind has, and survival requires the basic commodities of life.

The basic commodities of life for the human machine are only three things, food, air, and water.

Only the Good Lord makes air and water, and only farmers and ranchers make food, plus fisherman of the sea. That is why you have to sometimes intervene.

Mr. SHARP. Be careful as you intervene that you do not overbalance the different areas.

The CHAIRMAN. We try not to. But I think, in all due honesty, you probably get as much of an advantage through an enlightened use of the Tax Code than what we do for dairy in a direct way.

Mr. SHARP. I just heard that the dairy surpluses were basically reduced by price reduction. There again the support that was out of line caused the problem.

If the prices had been allowed to determine their own level and the consumer is always the one that determines in the end——

The CHAIRMAN. The dairy issue is very complicated. I went to Minnesota and they pointed the finger at me, "You are stealing $2 from us for Texas."

I go to the Northeast and they say California is messing up the whole Dairy Program. I come to California and they tell me it is because we do not buy enough dry milk.

So I do not know if that means we are going to have six different dairy programs.

Mr. SHARP. If you had kept out of it, there would be no complaints.

The CHAIRMAN. Yes, there would be. Yes, there would be, because the consumer complains at the end. It has happened in your area. During the Carter administration for a multiplicity of reasons, the price started going up and when hamburger hit the point beyond where the housewife wanted to buy, they started breaking storefront windows and demonstrating in front of the supermarkets because the consumer said, "enough."

You had no control over that whatsoever. Government had to intervene. That is where we came in with the import program. That is why we had to put it in place, remember? That was for your industry so that we could keep the housewives from breaking storefront windows because the price of your commodity had shot way beyond what they were willing to pay for it.

The market did not do it. We had to intervene with a countercyclical law, and then it kind of stabilized itself. So I mean, supply and demand, that went out with "Economics I" a long time ago.

I am not preaching this but supply and demand was when they brought the product to the main town square and people used it from there.

I have been at a Safeway store in McLean, Virginia where onions were selling for 79 cents per pound and we were plowing them under in the Lower Rio Grande Valley in Texas.

So supply and demand gets out of kilter. Three thousand miles is a long way and supply and demand in the mind of individual or in the reckoning of an association or an area is that you have a lot of cantaloupes here in California at one given time. You may have to plow them under because you cannot get them to New York or to Washington.

Supply and demand is something that sounds good, but it does not work anymore in a country as vast as ours.

The same way with beef. A lot of things intervened.

Now the price has shot up on beef. Our friends from Japan are buying almost all of the supply because it goes off quota. What would sell for 35 cents a pound is selling now for $1.79, $2 and that is an area where supply and demand has worked. But it worked because of an exterior force in the national and international scheme.

But the price of sirloin from Mission, Texas to Fresno, California to San Francisco to Chicago to New York to Washington is going to vary. You do not have the availability now. It is more readily available because even when I say that the tools are there, like selling boxed beef from Iowa. It shoots out to many parts of the country.

It works if you have the transportation available to get it readily to the areas. But then the fellow who had a butcher shop, he is out of business if you get that boxed beef already cut to put on the counter at the market.

Our job is to take all of your testimony, put it together, and see how we can balance without unbalancing. We agree with you: You do not give an advantage to one or the other.

Mr. SHARP. That is what is important.

The CHAIRMAN. That is what we will try and do.

Mr. ESPY. If the Chair would yield. The chairman's points are well taken and I am just so glad we are taping this because I think we have perfect material to put together a book called "The World According to (Kika) de la Garza."

Mr. PASHAYAN. Would the chairman yield? Without getting into a long discourse on the life and well-being of supply and demand, I think the narrower point certainly that Mr. Sharp—and I know Mr. Sharp personally, he is really one of the most astute observers of the whole governmental system that we have, to say the least—there is no doubt that for whatever reasons and he attributes it to a support system too large and too extensive.

But for whatever reasons, the plain fact was that at the time the culled cows hit the market, it increased the supply of red meat and there is no doubt that it had a depressing effect on the people who are in cattle. And really the red meat industry, not just the cattle industry. I think that point still does stand.

So, even if you argue that the various parts are entirely appropriate, taking, generally, your economic philosophy, the fact still remains that you have going into the red meat market, which is not regulated, meat coming from a regulated industry and that did upset the economic structure of the red meat market. At least that narrow point still stands.

The CHAIRMAN. Well, no it does not. Because when we wrote the legislation, we wrote it looking at every possible impact and we had it geared cyclical when the reduction was going to be made.

The Department did not as we had estimated it would be done in the legislation. That is what happened. I know it had a negative impact.

But the price was coming down. We will never know how much of an impact it had on the market.

There is still a debate as to what the market was going to do regardless of what we did. So it complicated the issue. It complicated the issue.

But if you remember, the market was on a downgrade at the time. They did not do it cyclical like we wanted them to do. They dumped it all in and then it messed up the works. On that we agree.

Mr. SHARP. That is right. And it depended on whether you owned any cattle or not.

The CHAIRMAN. Yes.

Mr. SHARP. And it affected the dairy industry because a certain percentage of their income comes from those cows too.

The CHAIRMAN. See, we had planned it so that the cash-flow to them would have been cyclical also. Without pointing the finger at the Department or anything, it just was not handled as we had planned.

Mr. SHARP. That is right.

The CHAIRMAN. Legislatively, we had planned to work it a different way. The administration of that law was handled contrary to what we had planned, which I guess goes as an example that they should always administer according to the legislative intent. But you can not always get it in sync.

When my family first came here from Spain, we were in the cattle business about 300 years ago.

The original name of the King Ranch was Santa de la Garza. That was in the beginning so I have my links to the cattle industry. Do not consider me an outsider.

Mr. SHARP. I do not consider you an outsider at all.

The CHAIRMAN. Thank you very much for being here. It was very helpful.

Mr. PASHAYAN. And just let me say I was not directing my remarks toward the legislation but only toward the effect that Mr. Sharp foresaw, the result had in the way that it was talked about in terms of the bottom line.

The CHAIRMAN. And different people will differ on what caused what. But beyond that, we do not want it to happen again. That is what you are saying and that is what they are saying.

This concludes the witnesses for this morning but we have two others who we might be able to hear. So, thank you very much and I would call at this time if they are here and willing to testify, Mr. Richard Peterson and Elaine Abbott. If you are here, we may be able to hear your testimony and then you can join us for the rest of the afternoon. Mr. Peterson of the Prune Board.

STATEMENT OF RICHARD L. PETERSON, MARKETING DIRECTOR, CALIFORNIA PRUNE BOARD

Mr. PETERSON. Mr. Chairman, members of the committee, my name is Richard Peterson and I am the marketing director for the California Prune Board a State marketing order representing California's 1,300 prune growers and 17 prune handlers.

California is the world's largest producer of dried prunes supplying nearly 70 percent of the world's tonnage. The export market is critical to the California prune industry accounting for 38 percent of total prune shipments.

In May 1986, the California prune industry requested targeted export assistance to help offset unfair trade practices within the European Community.

Consisting of subsidies to prune processors and guaranteed minimum prices to French prune growers, these unfair EC subsidies had encouraged French prune growers to rapidly increase production which created a surplus of prunes which had to be sold at artificially low prices.

The 1988 French prune grower price of $1,980 per metric ton was 2.3 times the projected $860 per metric ton return to the California growers.

California's price disadvantage was further widened by a protectionist EC 12 percent import duty on prunes.

Forced to compete with heavily subsidized lower priced French prunes, California exporters simply could not afford marketing support in Europe.

As a result, European consumer research revealed very low levels of consumer awareness and portrayed prunes as the "forgotten fruit."

In the fall of 1986, the California prune industry launched a marketing program in eight European countries featuring advertising and sales promotion support for California prune brands supplemented by generic public relations activities.

Over the first 3 years of the TEA Program, these marketing activities were refined based upon evaluation research and expanded to Belgium and Japan.

The results have been extremely positive with shipment increases averaging 27 percent from 1985, the year prior to the start of the TEA Program to 1988.

Even more important has been the conversion from export of low-margin bulk prunes to higher value consumer packaged prunes. The prime example of this success is the pitted prune whose exports to the TEA countries increased by 58 percent from 1985 to 1988.

The major beneficiaries of this trend were the industry's three largest export markets: Japan, Italy and West Germany, which increased by 76 percent, 240 percent, and 58 percent respectively.

The result has been not only increased exports but more profitable exports. Without the TEA Program, this would not have been possible.

With this year's addition of Taiwan and Singapore, TEA supported markets now represent nearly 80 percent of total California prune exports.

The California Prune Board's 1989–90, $5.8 million TEA allocation is being supplemented by nearly $3 million in prune packer and grower funding, plus over $500,000 in foreign third party cooperator funding.

The California prune industry and its overseas trading partners are grateful for the TEA Program, since without it, the industry would have been faced with the continuation of the export declines experienced in 1985 and drastically reduced grower returns.

As long as the unfair European Community subsidies exist, the Targeted Export Assistance Program must continue if we are to remain competitive in the world market.

Mr. Chairman, the California prune industry strongly supports the TEA Program and urges your committee's support for its reauthorization in the 1990 farm bill. Thank you very much.

[The prepared statement of Mr. Peterson appears at the conclusion of the hearing.]

The CHAIRMAN. Ms. Abbott.

STATEMENT OF ELAINE R. ABBOTT, ECONOMIST, ON BEHALF OF THE SUNKIST GROWERS, INC.

Ms. ABBOTT. I am here representing Sunkist Growers, a cooperative marketing association serving nearly 6,000 growers in California and Arizona.

My comments are also directed to the Targeted Export Assistance Program which I will refer to as the TEA Program.

As a participant in the TEA Program since its inception in 1985, Sunkist supports the continuation of that program as a means of enhancing the United States' competitive position in the global agricultural marketplace.

TEA was created in the 1985 farm bill to counteract unfair foreign trading practice encountered by U.S. agricultural exports overseas.

It was particularly intended to aid industries such as that of the California-Arizona citrus industry which had suffered from illegal foreign practices but had been unable to secure a meaningful redress toward the dispute resolution procedures on the General Agreement on Tariffs and Trade commonly referred to as the GATT.

TEA is significantly less costly to the U.S. Government than other assistance programs that would require direct expenditures.

Also, by requiring industry and private sector participants to match FAS funds, that is funds provided from the Foreign Agricultural Service, TEA has generated unprecedented participation and monetary support from the private sector as a means of achieving export objectives that are held in common by the U.S. Government and industry members.

In addition, by authorizing both generic and branded export promotional programs, TEA provides an effective means of encouraging exports of all commodities including bulk, high value, and specialty products.

During fiscal year 1988 the actual number of participants in the TEA Program totalled almost 200. Virtually every State in the Nation has benefited from assistance from this program.

A direct measure of the success of the TEA Program is the export gains achieved by the many commodity participants.

In the program's first year, exports of 21 agricultural commodities promoted under the TEA Program showed sales increases in chief target markets averaging more than 48 percent.

This success has continued with new export gains realized each year by TEA participants.

With unfair foreign trading practices continuing to impede access to foreign markets, TEA is vital to maintaining and strengthening the United States' position in the export market.

The TEA Program is the only form of Government assistance received by the California-Arizona citrus industry and other agricultural sectors, particularly specialty crops that are suffering from illegal foreign intervention and protection.

Under the United States-Uruguay Round Agricultural Proposal, promotional programs such as TEA are considered to be green light or acceptable internal support programs which do not distort trade.

Congress' continued support of TEA is thus in line with the United States' current proposal for global agricultural reform.

Finally at a time when Congress is actively looking for ways to enhance agricultural export gains, challenge unfair trade practices, relieve the U.S. trade deficit, and avoid budgetary outlays, TEA remains a creative and highly effective way of addressing these concerns.

In summary, with unfair foreign trading practices showing little if any signs of abating and GATT relief measures ineffective at providing meaningful economic relief, U.S. agricultural commodities are now more than ever in need of Government assistance such as TEA to help them compete in the global trading arena.

Sunkist urges this committee to recommend a permanent authorization of the Targeted Export Assistance Program. Thank you.

[The prepared statement of Sunkist Growers, Inc., appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much both of you. Any questions?

Mr. CONDIT. Mr. Chairman, if I may, I have a question for Mr. Peterson. There has been some ongoing discussions with I think it is FAS about the use of TEA funds for granted advertising.

As we begin to write the new farm bill, do you have any thoughts on regulations that would preclude TEA funds from being extended to promote brand products overseas or do you have any suggestions in that area at all?

Mr. PETERSON. Yes, Congressman, I certainly do. The California prune industry feels that it is critical in the TEA Program to have the flexibility to launch either branded or generic programs.

The world marketplace is very complex; commodities vary from one to another. We have to have that flexibility using our own industry as an example.

In Europe, the French would love nothing more than a totally generic program for prunes because they too would be a beneficiary of that program.

We have chosen from the beginning of the TEA Program to support branded products in Europe so that the consumer would be looking for Sunsweet or Mariani or other brands of prunes that have established distribution patterns there rather than generically promoting prunes.

On the other hand, in the Far East, our program is predominantly generic because there we do not have the brands as well established. Also we do not have the foreign competition. In most of the

Far East markets the California prune industry enjoys a market share of about 95 percent or more.

So there it is a matter of developing the market and building it for California prunes rather than for individual brands.

So we feel, again, that it is critical to have that flexibility to do what is best for the marketing opportunities based in each market.

The CHAIRMAN. Mr. Espy.

Mr. ESPY. Thank you, Mr. Chairman. I appreciate the testimony from both of the witnesses and would just like to make a point that all of the budget submissions that I have seen from the administrations both President Reagan's last year and President Bush's first year have all suggested a reduction in TEA funds each and every time as a matter of debt reduction.

And even on our reconciliation submission, Mr. Chairman, there was again a reduction in TEA funds. I want to get your reaction to that.

And second, as TEA focuses toward enhancement in export development, there could be things that your respective products could do to enhance your position in domestic market.

For instance, I know we have been having discussions with prune growers on how to infiltrate if you will the military market. No pun intended, Mr. Chairman, but I think prunes when it comes to troop movement could do a lot to quicken their step.

What are you doing in domestic market enhancement both with regard to citrus and prunes and what do you think about reduction in TEA funds and reconciliation and in administrative budget submissions?

Ms. ABBOTT. Well, we think that the funding for this program really has been quite modest. And that the funds have been used very effectively.

It is really funded through commodity certificates as opposed to a direct subsidy. At the same time the problems we have in marketing overseas in terms of confronting unfair trade practices remains significant.

And in view of these factors we would not support any reduction in the funding for the TEA Program.

In regard to our domestic activities, approximately one-third of the citrus production in California and Arizona is exported and the remainder is sold domestically.

We have extensive advertising programs in place for domestic programs. The TEA funds as you know are not available for domestic programs.

Mr. ESPY. Yes. That was really my question though. What are you doing to enhance domestic sales? There is a movement to have a more nutritious product in the diet of military commissaries and troop diet halls. What are you doing to improve the prospect of procurement in fruits and vegetables and citrus to our military market?

Ms. ABBOTT. Well, I think that we have for quite a number of years and continue to supply the military. It is an ongoing program as far as the citrus industry is concerned.

And I think your observations are quite correct that the American consumer has become much more health conscious and that certainly has benefited members of the produce industry.

Mr. **Peterson**. Congressman, in the case of the California prune industry we are currently spending about $19 million to support our programs and improve the quality of our product; $16 million of this is going toward domestic marketing and toward product quality improvement.

We are quite proud of the record that we have achieved in the United States over the last 4 years since the California Prune Board began advertising prunes as the high-fiber fruit.

We have experienced a 45-percent increase in domestic consumer shipments. So we feel that the nutritional attributes of prunes are being successfully conveyed to consumers and that that is the primary reason for the increase in sales.

In terms of the TEA Program reductions, I also would be very reluctant to recommend any reductions. We feel that this is a program that was originally intended for the specialty crops and was quite vehemently opposed by some of the larger bulk commodities in the early years of the TEA Program.

However, as with most successful programs, the more successful the program became, the more interest there was from other commodity groups.

And so now it has become extremely competitive for the limited amount of TEA funds and, therefore, any reduction would impact all of the current cooperators and any potential future cooperators.

The **Chairman**. Mr. Herger.

Mr. **Herger**. Mr. Chairman, I thank you. It is interesting to read your report and hear your comments, Mr. Peterson. You mentioned in it that some 70 percent of all of the world's dried prunes come from California and I am very pleased that 50 percent of the world's dried prunes come from my district in northern California.

And certainly this is one of the most important programs, not only to the district that I represent but I would even point out, Mr. Chairman, as we look at the results that we have had from the TEA Program, I would challenge any other Government program where we have invested dollars to have had better results than we have had from this program.

For example, just by going out and advertising, our exports to West Germany have increased by 48 percent just over the last several years and in Japan where we have had problems with so many of our commodities, some 52-percent increase.

And certainly if we look at a program where we get a bang for the buck, we can learn a lot. I would encourage all of us on our committee and in the Congress, if there is an area that we have seen as a shining light of what we can do if we go out and advertise and let people know what a good product we produce here in America and certainly here in California, this is certainly a great example.

Thank you very much. And thank you for your exhibit 1 here, which points out the results both in our area of citrus as well as in prunes and the other commodities, such as specialty crops which are so important to California that we have seen such a dramatic success in, thank you.

Mr. **Peterson**. Thank you.

The CHAIRMAN. Thank you very much for your testimony. I assure that we are very proud of the program. Budget constraints are going to be very difficult.

I do not know what the answer is. Everyone wants to balance the budget. Everyone assumes that it is going to be balanced in the other fellow's back yard. We have to balance it so that we put it in all of the back yards. The discipline is set on the committee by the Budget Committee and we will be suffering with that.

But there is no question that both the EEP and the TEA are useful tools as we compete with trade barriers. It is not solely an advertising type program per se. That is your business.

But if there are trade distortions, then we come into the picture and hopefully try and balance. We will see what happens in Geneva but it is coming more into the limelight.

The latest issue of "Food and Wine" shows more use of prunes and dried apricots or dried fruits and raisins—Mr. Markarian, I do not know if he is still here—with wild game, with fowl, with pork so that you can use them in preparing dishes. You take an orange slice and you weave it under the skin of a duck and you put the orange peel inside and you put prunes and apricots around it. You bake the dickens out of it. I think we ought to go have lunch.

Thank you very much for testifying, and now we will break for lunch.

[Recess taken.]

AFTERNOON SESSION

The CHAIRMAN. The meeting will be in order.

We will continue with the list. The next panel we have Mrs. Naomi Fletcher, A.J. Yates, Dennis Serpa, Willoughby Houk. We will hear from you as you appear on the witness list and Ms. Fletcher we will be happy to hear from you at this time.

STATEMENT OF NAOMI S. FLETCHER, LEGISLATIVE DIRECTOR, CALIFORNIA STATE GRANGE

Ms. FLETCHER. Thank you, Mr. Chairman. My name is Naomi Fletcher and I am the legislative director of the California State Grange.

Since its beginning in 1867, the grange has been deeply involved in the development of agricultural policy and its impact on the quality of life and social and economic conditions of those who live in rural America.

The National Grange represents 325,000 members in 42 States including over 33,000 members that reside in California.

Grange members are pleased to have this opportunity to share our thoughts with regard to U.S. farm policy. Without question, one of the primary responsibilities of the Federal Government is to assure that citizens of this country have a safe, wholesome, and dependable supply of food at reasonable prices.

The problem before us is attempting to achieve this broad policy objective while facing the inherent instability of production agriculture.

The grange feels that the cornerstone to U.S. foreign policy must lie in the well being of the family farm. Just as the economic well being of the U.S. economy is generated by family businesses, the same holds true for the farm sector.

Stability, efficiency, and strong rural communities are all generated when U.S. policy supports family farms.

Price support. The grange feels the 1990 farm bill should meet the following broad objective. Providing income protection for family farmers; allowing crops to be competitive on domestic and world markets; providing safe and adequate food supplies; and promoting an efficient farm sector at a low cost to taxpayers.

In viewing the 1985 farm bill, it is clear at first that these objectives were met with some degree of success. Net farm income increased from less than $40 billion in 1986 to an estimated $50 billion in 1989.

U.S. farm exports have also rebounded in this same time period improving from over $10 billion to approximately $38 billion.

At the same time, the cost of these programs has declined from a high of $26 billion in 1986 to an estimated $13 billion this year.

However, there are some very serious distortions in these programs that need to be addressed. There is no link between farms in need and Government payment.

At the height of the farm crisis, only 17 percent of farm payments went to farmers in distress. The average subsidy for large-scale farmers, those who have gross sales in excess of $500,000, was $105,000.

Farmers with sales of $40,000 to $99,000 received an average subsidy of only $15,000, while small farmers, those with gross receipts of less than $40,000, received just $4,000.

The current structure of commodity support programs is inefficient, as they provide income and price support for virtually every unit of production regardless of whether or not they contribute to a surplus.

The grange recommends a "targeted marketing loan" concept that is designed to assist moderate sized, commercial family farms.

Projected savings from this approach should be fastened into a humane targeted income or debt assistance program that is based on the individual farmer's needs.

Perhaps the most important provision in the farm bill to California farmers and ranchers is the trade provision in the corresponding GATT negotiations.

California grows more than 2 dozen crops that export in excess of 50 percent of the production overseas. It is absolutely essential that the United States take an extremely strong and aggressive position with regard to agricultural products at the GATT negotiations.

We must not be tempted to trade away our agricultural products with overseas benefits in other economic or diplomatic sectors.

Without question, agriculture makes the largest positive contribution to our trade balance. The agricultural sector must not be compromised, but enhanced.

The grange recommends that the EEC and the TEA export programs should be continued and strengthened until such time that there is a material reduction in foreign subsidies for agricultural products that directly compete with U.S. products.

Research and extension. The grange has always supported the three part system of agricultural research, land-grant colleges, and agricultural extension.

We feel it is absolutely necessary to redouble our efforts to encourage research and its application and dissemination.

Agriculture is under incredible pressure to reduce the use of pesticides and at the present there are many instances where there are not viable alternatives. Research in this area needs to be given the highest priority.

Food safety. While traditionally the farm bill has not dealt with this subject, the wholesale loss of pesticides will most certainly cause widespread dislocations and interruptions to the order and movement of agricultural products to market.

This will precipitate a reduction in the variety, quantity, and quality of agricultural products available which will in turn cause domestic prices to increase especially to America's poor.

Leadership to protect the integrity of the U.S. food supply must be forthcoming. If it would be deemed proper to include this in the farm bill, you would have our support. Thank you, Mr. Chairman.

[The prepared statement of Ms. Fletcher appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Mr. Yates.

STATEMENT OF A.J. YATES, PRESIDENT, FRESNO COUNTY FARM BUREAU

Mr. YATES. Mr. Chairman, my name is A.J. Yates and I am president of Fresno County Farm Bureau. Chairman de la Garza, I would like to welcome you to Fresno County.

I do not know if you realize the importance of agriculture to Fresno County; if we were a State instead of a county, we would rank 21st, just ahead of Michigan. That is the importance of agricultural income to this county.

I am a diversified farmer from Kerman which is located 20 miles west of Fresno. I appreciate the opportunity to appear at this hearing and express Farm Bureau views regarding the 1990 farm bill.

I would like to use the few minutes I have to discuss the Sugar Program. Mr. Chairman, the sugar beet producers in California and throughout the United States are efficient.

During the life of the 1981 and 1985 farm bills, U.S. production has averaged 20 tons per acre and California has averaged 25.2 tons per acre.

This compares to world sugar beet production of about 15 tons per acre. A recent USDA report indicates that in cost of production, the U.S. ranks seventh, lowest out of the 31 beet producing nations throughout the world.

Mr. Chairman, you and your committee are meeting in one of the major sugar-producing regions of the United States. In the four county area of Fresno, Madera, Tulare, and Merced, there were nearly 56,000 acres of sugar beets grown in 1988.

This average produced 27.2 tons of sugar beets per acre which shows the production capabilities of our area when compared to the 15-ton average of world production.

Our average acreage yields approximately 180,000 tons of pure white sugar. This confirms the claims of efficiency that U.S. producers have long and proudly made.

Unfortunately, all sugar-producing nations in the world maintain their sugar industries under some type of protective program.

Our producers can compete with any other producers but not with any other government. Consequently, until world sugar trade is reformed, it is important that the U.S. Sugar Program be continued in some form similar to the present one.

The philosophy behind the present Sugar Program merits continuation because the program has protected U.S. sugar producers without need of any net Federal expenditures.

As the Federal budget deficit will certainly be a limiting factor in what can be achieved with the 1990 farm bill, it simply makes sense to continue operating the Sugar Program in a budget neutral manner.

Of course the recent GATT ruling against the United States complicates the matter, but we are hopeful that a GATT acceptable modification to the import quota system we now have can be found which can be implemented in a no net cost manner.

There are other reasons for continuing the Sugar Program besides the fact that it does not cost the Government anything.

For one, the sugar industry plays an important role in the economies of California and the United States as a whole. In California alone, there are 2,500 farm families involved in sugar beet production and 6,000 full-time farm employees.

Across the United States, there are 14,000 farm families involved in producing sugar and 115,000 workers. And the benefits do not stop there. For example, the eight sugar beet processing facilities in California employ 3,500 full-time and seasonal workers whose annual wages are $71.2 million to the State's economy.

If you look at the total direct and indirect employment, it amounts to more than 25,000 people statewide and 361,000 people in the United States.

Another benefit of the Sugar Program is that it eliminates the necessity of annually purchasing 8.3 million tons of foreign-produced sugar. This would add substantially to the U.S. trade deficit. Mr. Chairman, I am advised that the various producing segments of the sugar industry are working to come up with a consensus recommendation for inclusion in the 1990 farm bill.

I would like to conclude my remarks with two points I feel should be incorporated into the next Sugar Program.

One, there should be a no net cost provision as I have already described.

And two, there should be no downward adjustment in the loan rate.

The 18-cent rate that was established in 1985 does not go as far now as it did then, with the increased production costs that we face as farmers and with the dollar diminishing by 5 years' worth of inflation. Indeed, a strong case could be made for increasing the loan rate.

Thank you, Mr. Chairman, for considering these comments.

[The prepared statement of Mr. Yates appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. Mr. Serpa.

STATEMENT OF DENNIS M. SERPA, DAIRYMAN, ON BEHALF OF THE DAIRY COMMITTEE, CALIFORNIA ASSOCIATION OF FAMILY FARMERS AND WESTERN UNITED DAIRYMEN

Mr. SERPA. Mr. Chairman and members of the committee, I want to thank you for this opportunity to submit testimony as you begin the lengthy process of putting together the 1990 farm bill.

My name is Dennis M. Serpa. I am from Turlock, California. I am a dairyman milking 400 cows and farming 500 acres.

Today I am speaking for the California Association of Family Farmers Dairy Committee which is a grassroots committee of dairy farmers who have been working to educate other dairy farmers and legislators on proposals for the 1990 farm bill.

I represent dairymen that belong to the California Association of Family Farmers and Western United Dairymen who are interested in making changes for the long-term good of the dairy industry.

We are concerned because we have suffered extreme hardships caused by the 1985 farm bill. I know some people will say the 1985 farm bill worked well using the present level of supply and demand as evidence.

In actuality, the Diversion Program decreased milk supplies temporarily and then production increased and we paid for the program through assessments.

Dairy Termination Program also decreased milk and cows but production still increased and dairymen paid a large share of this program.

After these programs, production still increased. Why? Because farm prices were decreasing and to stay in business, you must have cash-flow, therefore, you add cows and increase income.

The drought had more to do with lowering production than any Government program ever could accomplish. The export demand also had a positive impact on our surplus production.

This is due to the fact that all major dairy producing countries have had supply management programs in place for some time.

I think if we look at the world dairy industry with open eyes, we will see how supply management can have a positive impact on our U.S. dairy industry.

In Canada and Europe, dairy farmers are receiving almost twice as much for milk as United States dairy farmers. Why? Because of supply management. They control production to meet demand.

That extra money goes a long way to make the industry viable investments that can stimulate the economy and relieve the fears of bankruptcy.

Here under the 1985 farm bill the Government thought they could control production with prices. But I hope everyone here understands that it does not work. Price cuts stimulate production.

If you look at the chart and the appendix on foreign milk prices, you will see what has happened to farm prices and consumer prices over the past 14 years.

You can see there is no correlation between the two over the past 7 years. When I first saw this chart in a National Milk Producers Federation newsletter, the question entered my mind as to what happened to all of those dollars difference between farm price and consumer price over the several years time.

I know Congress is concerned about consumers and their reactions to higher prices. But from the chart you can see that they are paying higher prices for their dairy products and the dairymen are receiving less, many times less than the cost of production.

This leads up to what we are really talking about, parity. When you bring up this issue, many people will tell you that parity is dead. The only place it is dead is in agriculture.

Our buying power is at an all time low. Many people will tell you that when we had 80 percent of parity in 1981, that was what caused our overproduction.

If we had supply management at the time, we would have a healthy industry today.

Then price cuts that followed led to higher production so as to increase cash-flow of the operation. Farmers have become wizards at keeping old, worn out equipment running against all odds.

The average age of my tractors is 21 years old. The average age of my automobiles and trucks is 13 years old. This is not by choice but because of low farm prices. I do not see much difference in the age and condition of most of my neighbor's machines.

Today farm prices are about 50 percent parity. Just think of what would happen to the economy if farmers were receiving even 75 to 85 percent of parity. That money would stimulate the economy by farmers replacing equipment and repairing facilities at an unprecedented rate.

If farmers were making money they would also be sending in tax dollars to help with the deficit. But again, this could not happen unless you had a sound supply management program with parity prices.

Even in today's market, which has taken a jump in the last couple of months, I have neighbors whose facilities are worn out and need to be replaced but they still have to add cows in order to justify the capital outlay.

The banks will not lend money if they continue to milk the same number of cows. One year ago when we started thinking about the 1990 farm bill, we were told by 1990 we would be getting more money for our milk so people would become complacent and this would result in a status quo 1990 farm bill.

I did not believe this but I found later it is true. We do not see any major breakthroughs in new ideas for the dairy industry.

The major lobbying groups are proposing very minor changes in the 1985 farm bill. If dairymen do not wake up, they can look back at the last 5 years and see what the future holds for them.

A common term we have heard everywhere and everyone is using today is that the 1990 farm bill should be market-oriented. I do not really know what this means to others but to me it means keeping supply in line with demand at a price the market will bear.

What better way of doing this than with supply management.

I believe we have a great opportunity now to be writing a 1990 farm bill that would solve some of the problems of family dairy farmers. Production is in line with demand and prices are up.

Now is the time for a farm bill with a fair market price and a two-tier supply management program controlled by an elected dairymen's board.

This would address the problems of the past and we could head into the future with a positive step for dairy farmers.

This would bring stability to dairymen, processors, and consumers and allow everyone to plan for a sound future.

We agree with Congressman Stenholm's recent statement that supply management is not a dirty word. We have read Congressmen Obey and Kastenmeir's bill, H.R. 1137, and we think they are headed in the right direction in this proposed bill.

The National Dairy Act proposal which I have in the appendix here from the National Save the Family Farm Coalition was put together by dairymen from across the Nation, California to New York and follows in line with H.R. 1137.

We believe this draft proposal has the basic principles to start the 1990 farm bill. Gentlemen, I thank you for your attention and I hope you take into consideration the proposals that our grassroots dairy farmers have put together.

[The prepared statement of Mr. Serpa appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Now I thought I heard Mr. Houk reply. Is that you?

Mr. HOUK. Yes.

The CHAIRMAN. It says Peterson there. We will be happy to hear from you now.

STATEMENT OF J. WILLOUGHBY HOUK, NATIONAL VICE PRESIDENT, AMERICAN AGRICULTURE MOVEMENT OF CALIFORNIA

Mr. HOUK. Chairman de la Garza, I was happy that I got here early this morning and listened to the morning session. I was starting to feel sick at my stomach listening to some of the people testify here that the cure to our problems are lower farm prices.

But then a ray of hope came through in listening to your comment. After spending some 20 years representing family farmers back on the Washington scene, I finally found out this morning how to educate Congressmen and get them to move.

The secret is, you take a wagon load of rocks down to the supermarket and toss them through their window going by your comment this morning.

So that is what I think we are all going to have to do from now on is take a wagon load of rocks to Washington and look up a supermarket.

The CHAIRMAN. I would not advocate that at this point.

Mr. HOUK. Also I am very pleased that you provided the opportunity for our two local Congressmen here, Rick and Gary, to come down to Fresno and to go out and be soliciting some new votes for their next campaign which I suppose is where they are now.

Chip, you and Wally I guess are pretty comfortable. You can be here and listen to what the farmers have to say today.

Chairman de la Garza and members of the committee, welcome to California, whose 84,000 farmers and ranchers produce and supply the Nation with over 25 percent of the table food consumed in America.

From the viewpoint of the Nation's food and fiber producers, to say that the consumer oriented Food Security Act of 1985 is a disaster, is nearer the truth than the opposite view.

Let us examine some facts. Farmers continue to use up their equity on land and assets at an alarming rate that started in 1980.

Until we understand that you can not substitute credit for profit, this trend will continue. I predict that within the next decade, American family farms as we now know it will no longer exist.

The average age of the farmer today is 56 years. You do not see the young people in numbers needed to sustain our Nation's farms in the future.

The only way a young person can gain entry and own a piece of ground is to inherit a farm or marry someone who has inherited a farm.

With proper farm legislation we could once again be the Nation's largest job producing industry instead of the biggest job taker.

Mr. Chairman, let me illustrate to you the latest figures on off-farm income and jobs. And by the way I have this attached to the back of the testimony here today.

For example, Texas, which you represent, which leads the Nation in the number of farms, 188,000 last year, also leads the Nation in off-farm earnings with more than $5 billion.

That is well above the State's net cash farm income of last year of less than $3.9 billion.

California, $2.6 billion off the farm and a net cash farm income of $6.54 billion with an estimated 84,000 farms. Ohio, Missouri, Indiana, Kentucky, Tennessee, Illinois, Oklahoma, Iowa, 1988 totals of off the farm earnings of $51.7 billion, total net cash farming income, $59.9 billion.

Mr. Chairman, it is a disgrace that the American farmer has to work in the cities to subsidize his farming operations to keep this Nation fed.

Farmers and ranchers are leaving the land at a drastic rate due to land foreclosures, bankruptcies, suicides—six in Oklahoma last week—because of unsound economic conditions.

Simply stated, when cost of production exceeds income, a farm ceases to exist. The only action that has sustained the family farm economy today are the subsidy programs on major commodities.

That causes a more stable crop pattern and stops extreme shifts from one crop to another which completely collapses the farm economy.

The American taxpayer is not going to continue to pay for these agricultural policies. Agriculture production will become the solution to the American economic problem if policies are changed and followed.

We in agriculture can provide the jobs that are so badly needed in industrial America. When the cost of production plus a reasonable profit is achieved, the first year a minimum 250,000 new tractors will be purchased, new vehicles, machinery, capital improvement.

This produces jobs for coal miners, steel mills, manufacturing plants, and all segments of the economy. The solution to the agricultural crisis and thus the national economy must be achieved by reducing the cost to the taxpayer.

Farms must become a taxpayer and not a tax taker. This can be achieved by doing away with the deficiency payments and subsidies with an efficient Government Commodity Loan Program, 70 percent of parity.

Supply management coupled with a sound export/import program, details of these programs are attached to this testimony.

Last, and most important there must be legislation and rules put in place to control the manipulation of farm commodity prices by traders on the Chicago Board of Trade, Cotton Exchange, and New York Exchange.

The soybean disaster of the Chicago Board of Trade cost the soybean farmer millions of dollars and reduced prices.

I know that Congressman Glenn English and his committees have devoted 2 full years trying to sort out this mess.

This problem could be solved by controlling speculative short selling and trading. All trading should be based on the rule that a first sale must be an actual commodity.

It makes no sense to sell a commodity that you do not have or buy a commodity that does not exist. The big loser in this system is the producer.

Mr. Chairman, I hope that all of our efforts on the 1990 farm bill are not in vain because the administration's Agriculture Secretary, Clayton Yeutter and President Bush, decide these decisions must be made at the GATT talks in Geneva.

We can not be political. We can not let political, military, and other considerations determine the farm bill. We must consider the economic good health of America's farmers and ranchers.

I would be pleased to answer any questions.

[The prepared statement of Mr. Houk appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Questions? Thank you very much to the panel. Let me ask one thing very briefly, Mr Houk, not contradicting anything you have stated, but, I had the opportunity, a great honor to be invited by FFA, Future Farmers of America, to their national convocation in Kansas City 2 years ago.

There were 21,000 youngsters, 21 years or younger, and the main auditorium overflowed to the back auditorium.

I asked rhetorically, is there a future in American agriculture? And 21,000 shouted a resounding, yes. So I have some degree of optimism that they have the optimism that things will turn around.

I do not share your pessimism that the youngsters are not looking to getting into agriculture. They shouted, yes, when I asked.

The second one, again FFA has what they call the BOAC, Building Our American Communities program. They bring the youngsters from every State who compete statewide with projects that they work at.

A couple of years ago the winner was from either Oregon or Washington. We have a luncheon for them when the final selections are made, the last 10 selections and then the No. 1 project.

I sat next to the young man and his project had been a reforestation project. They work with the mills, with the county, with the State and with the high school.

So, I asked him the obvious question. When are you going to harvest? What type is it? I think he said blue spruce. I said, when do you harvest this? Oh, 40 or 50 years from now.

If that is not a belief in the future of American agriculture, I do not know what it is. I wanted to share that with you because of the problems we have, we have always had.

You may or may not agree with the program. You may or may not agree how much government should get involved.

But you can not disagree with the fact that one youngster representing 21,000, feels there's a future in his mind and in his heart because he had planted something he hoped to harvest 40 or 50 years from now.

Our endeavor should be to see that he stays on the land with that desire in his heart. That is what we are aiming at.

Mr. HOUK. May I respond?

The CHAIRMAN. Yes.

Mr. HOUK. I fully understand that program. I was our star State farmer in California. I was the State secretary of the Future Farmers organization. I am an American farmer in that organization, the highest honor they bestow.

The reason I tell you this is to inform you that I completely understand what is going on. This last year the Future Farmer America organization on a national level did away with the word, farmer, in their title.

And that is quite interesting. That is quite interesting. What you should have asked those young men, how many of you——

The CHAIRMAN. And women.

Mr. HOUK. Yes. What you should have asked those young men is: How many of them were going to return to the farm to be an actual food producer? That would have been an excellent question to ask them.

The CHAIRMAN. You say it one way. I say it another way. I asked them, is there a future in American agriculture? Twenty-one thousand shouted, yes.

Mr. HOUK. OK. Now, I am going to tell you the reason they responded to you that way. Having gone through the system they are in, most of those have just graduated from high school or are in high school. They have been educated in supply/demand economics which you very correctly denounced this morning.

These people have been educated by people in our system who have gone through college, gone through the econ classes and I think probably as far as they got was econ 101.

However, they were educated by a bunch of economists. And as you well know the definition of an economist is: "That is a steer that is trying to tell a bunch of bulls how to operate."

So, what we have to do and what you have to do is continue to educate these young people. Because when they get out here and they take what inheritance their people have left them—because they are not going to buy their way into a farm. It is absolutely impossible due to the economics in agriculture.

When they get out here and lose equity in that inheritance, they too are going to be in the city competing for those much needed industrial jobs.

The CHAIRMAN. Thank you very much, sir. I thank the panel. I am informed now that Mr. Siri is here and also that panel six, Mr. Barton and Mr. Kriebel, are here. Could we invite all three of you to come to the witness table at this time. Mr. Short. Where is Mr. Short?

Mr. SHORT. I am Mr. Short.

The CHAIRMAN. From?

Mr. SHORT. I am a walnut grower.

The CHAIRMAN. From which?

Mr. SHORT. The same panel as Mr. Barton and Mr. Kriebel.

The CHAIRMAN. Mr. Barton, accompanied by Mr. Short. I'm sorry. Or are you to make a statement.

Mr. KRIEBEL. Mr. Short is going to speak first.

The CHAIRMAN. We will hear from you at this time, Mr. Short.

STATEMENT OF PHILIP N. SHORT, COMMISSIONER, CALIFORNIA WALNUT COMMISSION

Mr. SHORT. Mr. Chairman, we extend a warm welcome to you and to the committee during your visit to California. We appreciate having the opportunity to testify before the committee today.

My name is Philip Short and I am a grower of walnuts. I am accompanied by Gerald Barton, a grower and president of Diamond Walnut Growers Inc.

We are testifying on behalf of the California Walnut Commission which represents over 5,000 walnut growers in California.

Virtually the entire commercial production of walnuts in the United States is grown in the State of California. In the past, walnut producers have had little involvement in the formulation of a farm bill.

However, in 1985, the California walnut industry was the victim of a trade war. As a result, Congress responded to the financial devastation that walnut farmers were incurring from retaliatory actions taken by the European Community by authorizing the Targeted Export Assistance Program or TEA Program as part of the 1985 farm bill.

As you are aware, the TEA Program was designed to provide export assistance on a priority basis to those agricultural commodities which are affected by retaliatory trade actions or which are impacted by unfair trading practices.

California walnut farmers can certainly testify to the financial losses which result from retaliatory actions.

The walnut industry incurred an additional 22 percent ad valorem duty on California walnuts resulting in over a $12 million loss as a result of the 1985 citrus-pasta war with the EC.

We have also faced long-term unease caused by these trade wars due to continued threats or retaliatory action by the European Community against United States walnuts.

Mr. Chairman, we are a small industry of many specialty crop producers. We hope that while you are in California, you will again have the opportunity to view first hand the diversity of agricultural production in our State.

However, it is this diversity, such as fruit and nut producers, which is immediately devastated by retaliatory actions and unfair trade barriers.

The TEA Program provides export assistance to all agricultural commodities, but in particular, it has helped those specialty commodity producers who receive no Federal price supports or Federal assistance.

Because of the tremendous benefits this program has provided to the walnut industry and to the specialty commodity producers, we strongly encourage the House Agriculture Committee to reauthorize the TEA Program, section 1124 of the Food Security Act of 1985.

With the financial difficulties facing agriculture and the obstacles faced in the international trading arena, it is particularly hard for farmers to incur the loss of export markets due to a retaliatory trade action.

However, it is even more objectionable when one industry—the walnut industry—is "hit" more than once by retaliatory trade actions such as tariff increases.

The TEA Program provides assurance to U.S. farmers that the Federal Government will stand by and support them and will not abandon them during such trade wars.

We strongly urge your committee to continue providing the potential for assistance to those who are affected by a section 301 action, related retaliatory acts, or unfair trading practices taken by foreign governments.

The walnut industry continues to face threats from the EC on retaliatory actions relative to the beef hormone dispute.

We are also facing the unfair trading practice of competing with EC walnut growers and processors who benefit from the EC treenut subsidy which uses community funds to encourage more production and to finance marketing and promotion.

While continued fair access to the European community market is of primary concern, the Walnut Commission continues to hope that the Uruguay Round GATT negotiations will be successful in removing other barriers to trade as well.

Walnut producers face barriers in other markets. A number of potential markets, including Venezuela and Brazil, restrict and often embargo imports through licensing arrangements.

Seven countries maintain ad valorem duties of 50 percent or more. State trading reduces our ability to sell to eight countries which exhibit a major import potential for California walnuts.

The TEA Program has helped our industry in overcoming some of our trade problems by assisting us in developing new markets as well as creating new outlets and traditional export markets.

Let me turn to Gerald Barton who will testify on the achievements of the TEA Program for California walnut producers.

The CHAIRMAN. Thank you, sir. Mr. Barton.

STATEMENT OF GERALD L. BARTON, PRESIDENT, DIAMOND WALNUT GROWERS, INC., ON BEHALF OF THE CALIFORNIA WALNUT COMMISSION

Mr. BARTON. Thank you, Mr. Chairman. As Phil has mentioned, I am president of Diamond Walnut Growers and we process and market just slightly less than 50 percent of the California walnut crop. I am also a producer of walnuts and almonds in Stanislaus and San Joaquin Counties.

I would like to say that since the inception of the TEA Program in the 1986–87 crop year that California exports of in-shell and shelled walnuts have increased dramatically.

Exports of in-shell walnuts have increased by 22 percent and shelled walnuts by 85 percent. Last year the export market accounted for 73 percent of our total in-shell sales and nearly 16 percent of our shelled sales.

The major effort for the industry to expand exports was in large part due to the availability of the TEA Program. The contribution of growers and handlers played a major role in this process.

Grower annual payments of one-half cent per pound contribute well in excess of $2 million annually to the program.

Additional funds of over $1 million have been contributed by handlers and importers. These contributions have played a major role in our ability to design a program which creates an expanding and stable overseas market for California walnuts.

When the California Walnut Commission was formed, in order to take advantage of this program it received a "yes" vote through referendum in this State of over 90 percent of the walnut producers which was quite a remarkable vote of confidence.

The development and success of the program has not occurred easily. Our competition from other walnut growing countries including China, France, India, Italy, Turkey, Hungary, and Chile has been and continues to be very difficult.

Subsidized production in the European Community and incentives by centralized governments, especially in China, has created a highly competitive situation.

Fortunately, we have a high quality product which foreign consumers appreciate and the role of market development has made it possible to educate consumers regarding the availability of our high quality product.

The incentive to enter into these long-term commitments would not be feasible in the absence of the TEA Program.

Walnut producers, like all other farmers, depend on, and benefit from and suffer at the hands of mother nature. This year we had two unseasonably early rains and an earthquake. But in spite of that our product got to markets on time.

Walnut trees are not economically productive until they reach maturity in about 7 years. Our growers recognize that market development requires the same patient investment as the investment in their trees.

The TEA funds have allowed us to start and invest in this expensive long-term program by which we will build a franchise abroad for California walnuts.

Reauthorization and continuation of the TEA Program is, therefore, vital to the California walnut producers' ability to remain competitive when faced with unfair trade barriers.

The TEA Program allows us the opportunity to develop a long-term strategy market by market. It exhibits to our foreign customers our desire to stay competitive and our willingness to make an investment in order to develop these markets.

TEA exhibits, through its actions, that our Government is concerned, that our agricultural export markets are important to the Nation, and that trade is a two-way street.

I would like also to add, Mr. Chairman, that I know of no industry that has been more victimized by acts of economic terrorism than the walnut industry beginning as Phil has mentioned with the problems of the citrus war in 1986, the pasta war in 1987 and now the beef hormone problem.

And certainly we were coming out of a recession in the early 1980's when we were hit with about half of our shipments on the water by the retaliatory actions of the EC as part of the citrus war.

It was a devastating blow to us and this program was one of the principal reasons that I think we have been able to recover the loss of markets and are in a healthy situation today.

I want to thank you for the opportunity to express our views to each of you.

[The prepared statement of Mr. Short and Mr. Barton appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

STATEMENT OF BARRY F. KRIEBEL, PRESIDENT, SUN-MAID GROWERS OF CALIFORNIA

Mr. KRIEBEL. As Mr. Yates testified earlier, Fresno County is one of the richest agricultural areas in the world and raisin production plays a key part of that.

Grapes are traditionally either the No. 1 or 2 crop produced in Fresno County and raisins are a primary utilization of those grapes.

In total the California raisin industry contributes close to $700 million to the economy of the Fresno area. As president of Sun-Maid Growers of California, our organization has been marketing and selling raisins for over 77 years.

I am also a member of the California Raisin Advisory Board and the Raisin Administrative Committee. And I am export chairman of the Raisin Administrative Committee, export committee.

Let me make my points limited to the Targeted Export Assistance Program which has been very critical to the financial well-being of California raisin growers and their families.

First, let me point out that raisins are only produced in a handful of growing areas in the world like most specialty commodities.

California is by far the world's largest producer of raisins and produces about 40 percent of the world's supply. We compete against producers in Greece, Turkey, Australia, Afghanistan, and Iran and growing production in Mexico, Chile, and Argentina.

Because world production is so concentrated, the practices of one area can have major financial impacts on another.

Second, raisins are produced from dried grapes as you realize and changes in the use of grapes from one utilization to another can have a major impact on the financial well-being of raisin producers.

The principal grape variety used in California to produce raisins is the Natural Thompson seedless grape. This grape historically has been utilized both for the making of raisins, crushing into wine and distilled spirits, for fresh table grape consumption, and for limited canning and fruit cocktail.

Through the decade of the 1970's and up until 1982, the California raisin grower averaged almost $1,200 a ton for his annual production.

This resulted in relative prosperity during this period that exceeded a decade. However, by the end of 1982, two changes in historical patterns of raisin and grape consumption were leading the California raisin farmer into almost financial ruin.

First, unfair Greek subsidies to Greek raisin producers allowed Greece to take away our markets in Europe. As I mentioned, Sun-Maid had been exporting raisins to Europe for over 75 years and the California raisin industry had looked to the European Economic Community as a major purchaser of California raisins for decades.

Second, subsidized and unfairly priced Italian, French, and German wines took over a major share of California wine sales in the United States and caused a significant shift of grape utilization from wines to raisins.

Between 1980 and 1982, the Greeks' entry into the Common Market and unfair subsidies, our sales into the European Economic Community countries dropped by 66 percent.

The United Kingdom sales dropped by 74 percent. Germany dropped by 66 percent and Denmark dropped by 40 percent.

At the same time, we had a huge shift of grapes to raisin production, from wine production into raisin production. Traditionally over 700,000 green tons of raisin grapes are crushed into wines.

But in 1983 with the onslaught of cheap wines coming into the United States, California wineries purchased what was then an all time low of only 330,000 tons of raisin variety grapes.

This has remained constant over the last 3 years with the 1987, 1988, and 1989 crops with California wineries purchasing record low amounts of Thompson grapes for wine consumption.

With California wineries limiting the home for Thompson grapes, this led to a 70-percent increase in raisin production in 1983.

Faced with both declining export markets and increased production, grower returns dropped from $1,200 a ton to an average of below $600 a ton from 1983 to 1984 and through 1985.

For almost all grape growers this level of $600 a ton was below their direct out-of-pocket costs for production and it caused approximately 25 percent of the farmers in this area to face foreclosure.

We tried to redress our grievances against unfair subsidies for growers by bringing a 301 action in 1981.

As you know, the dispute settlement process is long and tedious, but we received a favorable panel report in 1984. However, the European Economic Community then sought to introduce new evidence and a second panel hearing was held and reversed the holding of the first.

In both cases, the panels recognized that there were Greek subsidies and that they were damaging California producers.

However, the second panel ruled that the United States was well aware of this when they had discussions regarding Greece's entry into the EC.

Likewise we tried to redress our grievances against subsidized and unfairly priced Italian, French, and German wines by bringing two countervailing duty and antidumping proceedings before the U.S. International Trade Commission.

The Commission refused to treat California raisin growers as part of the industry even though our grape growers were suffering the effects of a wine war.

Again this illustrated the weakness of trade resolution procedures designed for industries other than agriculture. In agriculture one grower can shift his problem onto another and this is fair play under the rules of international trade.

Even before the 1985 farm bill, the California raisin industry tried to regain our European markets by reducing our prices substantially and by aggressive advertising and promotion programs.

This was, first, with matching FAS cooperative money in 1983 and then second, in 1984 with limited Federal funds under the Helms bill, the predecessor of the TEA Program.

This proved to be the beginning of a dramatic turnaround for California raisin growers. Over the last 4 years we have been able to have significant advertising and promotion activities as a result of TEA funding and this has allowed California raisin producers to recapture those markets that we lost in 1981 and 1982.

In fact, California raisin shipments to the United Kingdom are up 806 percent from 1983. Shipments to Germany are up 260 percent from 1983 and Denmark are up 216 percent.

Part of the strategy was an agreement by the California raisin industry to utilize the California Raisin Advisory Board as a vehicle for the spending of these TEA funds.

The California Raisin Advisory Board agreed to advertise both on a generic and on a branded basis, agreeing that it was best to go out and to try to sell California raisins under whatever brand best suited the situation.

In those European countries where a strong brand leader was already present, the California Raisin Advisory Board agreed to fund branded advertising.

In those countries were no strong brand was present, programs were developed on a generic basis. In most countries there was a blend of both generic and brand advertising.

Sun-Maid was not the sole beneficiary of these branded funds. In fact, in some markets, Sun-Maid actually lost market share to other brands and to generic raisins.

However, the entire industry experienced significant volume increases and this aggressive marketing and advertising program allowed us to increase total raisin consumption around the world.

Total shipments of California raisins increased from 46,093 tons in 1983 to 93,435 tons in 1989, an increase of over 103 percent.

Included in my written remarks are charts showing that most of this growth has been in countries where the industry has utilized TEA funding. In those countries where TEA funds were allowed, exports increased 180 percent and in non-TEA countries, increases were limited to 25 percent.

All of this has resulted in a significant turnaround of the financial well being to California raisin growers. A 100 percent return to the California growers for the 1988 and the 1989 crops will exceed $900 a ton which has put California raisin growers back in the black.

Unfortunately, with all of the success that we have had over the last few years, the battle is far from over. Greek subsidies still exist and unfair trading practices still protect Italian, French, and German wines.

In addition, world wine consumption is down. And it will become greater and increasingly more difficult to dispose of grapes around the world.

We look to continued support on the 1990 farm bill to be able to try to maintain this moderate level of prosperity that has been regained by the average California raisin grower. Thank you very much.

[The prepared statement of Mr. Kriebel appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. Mr. Siri.

STATEMENT OF STEVEN SIRI, PRESIDENT, SANTA CRUZ COUNTY FARM BUREAU

Mr. SIRI. Thank you, Mr. Chairman for allowing me here today. I was requested to come down by Congressman Panetta and I am going to change the subject here a little bit from some of the things you have been hearing.

I represent Santa Cruz County. I am the farm bureau president there which was hit by the recent earthquake. It takes a disaster to find out what disaster relief is really all about.

The CHAIRMAN. Excuse me 1 minute. I apologize for interrupting. He told me that there would be several of you coming. Did others come with you?

Mr. SIRI. No.

The CHAIRMAN. Are you just the spokesman?

Mr. SIRI. Yes.

The CHAIRMAN. Thank you very much.

Mr. SIRI. Our county is slightly bigger than San Francisco County and we have approximately 1,100 members, 700 to 800 of those which are actually grower members.

We have a different type of agriculture in Santa Cruz County than in the rest of California or the rest of the Nation. Our average farm size is less than 50 acres. We have a lot of small family farms. What we consider farms is growers.

The disaster shows us that we are not covered under most disaster programs because of farm size. Our crops are very high risk. They produced $168 million in 1988 and they do not fit into the categories of the Farmers Home Administration guidelines mainly because of the number of employees that we hire.

We are tremendous employers for the size of the farms that we have. We have many employees. We also have somewhat of a sharecrop-type farmer that is not covered under the Farmers Home Administration loans also. They do not qualify.

A lot of these loans we are finding out—there seems to be a discrepancy among officials as to what rules are to be implemented. Some have one idea and some have another.

When we go for information at the local level to the FEMA offices, the growers are told they do not qualify under anything. The State officials say, we do qualify. The county officials or the region officials say, no they do not. We are a little in the dark as to what information we are getting.

The loan amounts will cover most of our growers. We do have some growers that will sustain up to a $1 million damage from this earthquake.

We have a lot of damage that we have not yet been able to assess. We are sitting approximately right now with about 50 percent reporting at $10.6 million.

We expect that number to somewhat double. We are seeing a lot of fissures in the ground. The ground is still moving. We are still having tremors over there and the slippage is still occurring so we do not know what we are going to see.

Under the ASCS program we are finding out that wells are not covered under that program. And we have heavily irrigated agriculture in that area that depend on wells.

We grow a variety of crops. We grow everything from wine grapes to flowers. Flowers are a big commodity, lettuce, strawberries, raspberries, mushrooms, herbs; we grow a little bit of everything.

We have a high percentage of organic farmers in our area. We have a high labor force in that area. And these people need some relief in the form of immediate loan because their cash-flows have been interrupted and we need to get some relief on the way.

So we need something immediate that we can give to the growers. We have to redefine the family farm size under the Federal guideline to accommodate California-type agriculture.

We also need to include wells and earthquake as a disaster in these guidelines. Earthquake is not considered a disaster under most of the guidelines. We do need to include that under the guidelines.

Now, there has been an emergency thing that has come out, but it should be included in the wording that earthquake is a disaster and it certainly has been a disaster for our county. And I guess that might cover it.

The CHAIRMAN. Thank you very much, sir.

Mr. CONDIT. Mr. Chairman, my I ask Mr. Siri a question?

The CHAIRMAN. Yes.

Mr. CONDIT. The disaster there, was there a percentage of farmers there that had crop insurance?

Mr. SIRI. No, well, most farmers do not go for crop insurance. A lot of it was structural damage, greenhouse growers sustained major structural damage. A lot of our processors suffered structural damage.

The apple growers suffered crop loss by droppage and also by those apples that were picked and ready to be processed. They went from a fresh-market apple to a juice apple because of the bruising and the bins collapsing on top of each other.

But I do not think anybody in that area ever expected an earthquake of that magnitude to hit.

Mr. CONDIT. Is there a reason why very few growers have it as a premium?

Mr. SIRI. Well, that would probably be because of the cost of the crops in that area. I am sure that would be a factor.

Many of these farmers, especially our apple growers, who are suffering under the recent Alar scare, certainly have been hard hit by this earthquake and they do need some relief.

We are not looking for a handout. We are looking for a low interest loan of some sort that can be immediate because they have to get going.

A lot of the flower growers have lost their greenhouses, have to get that up and into production immediately because the crop is exposed to the elements.

And I know that is another point, nursery products are not included in a lot of these, especially in the ASCS. It is not included but tobacco is. I kind of question that mode of thinking.

And these are things that I think the Federal Government should be looking at.

The CHAIRMAN. Any further questioning? We thank all of you. I might mention to you, Mr. Siri, that Congressman Panetta either has introduced or will introduce legislation.

We dealt earlier with the Disaster Assistance Act. They kind of made fun of it, saying we had included everything under the Sun. Be we had not, no one included earthquake or tremors. So we hope that we are able to amend the legislation.

Whether you believe or not that we should have periodic disaster relief, a fact of life now is that we do. We are going to work with them and see to what extent we can change the criteria so that a farmer is eligible whether he gets hit by an earthquake or a hurricane or ice coming out of the sky.

Mr. SIRI. Well, I might point out that the Mississippi River was originally changed by an earthquake. So it can happen in other places besides California.

The CHAIRMAN. Well, it was strange to note that probably the Midwest and upper Northeast are more susceptible really than California. I just hope it does not come to south Texas.

Mr. ESPY. Mr. Chairman.

The CHAIRMAN. Mr. Espy.

Mr. ESPY. I would report the amending of the Disaster bill to include earthquake-related damage. But I want to say to Barry and to Mr. Barton the fact that the committee does not seem to be asking any questions on the TEA Program is no indication of our lack of desire or support for that TEA Program.

But before you got here, before we broke for lunch the panelists prior to you also talked about TEA and we might have exhausted the questions.

But everyone on the panel really was very inclusive in their support of TEA and we know what a great benefit it has been to support specialty crops in California agriculture. We all support it.

The CHAIRMAN. That is our program. We are the godfathers, so do not worry about it. There may be problems getting money but otherwise——

Mr. HERGER. Well, Mr. Chairman, I think it is interesting to note that with the panelists we heard just before our lunch break, not only has the results of TEA been dramatic with the amount of money that we have spent with our produce and with our citrus and also we hear with our walnuts and with our raisins.

Again, I would just repeat that my observation is there are few programs that we have been involved with that we have seen such incredibly dramatic results with the amount of dollars that we have spent. So I join in being a strong supporter of the program.

The CHAIRMAN. I might mention to Mr. Barton and Mr. Short that probably the greatest friend that walnut and almond growers had was our Ambassador to Italy, Ambassador Rabb who worked very diligently on that case.

I happened to be in Italy at the time that members of the California Walnut and Almond Growers were there and we met with an Italian group, the Minister of Agriculture, and a couple of the California people. The Ambassador and I had a private meeting one evening with the Minister of Agriculture in Italy at the time, Minister Bartholme.

I took advantage of my part Italian ancestry and my broken Italian. I think we did a great service at the time that eventually resolved, in part, the pasta war.

I guess we still have some problems with the walnuts but we are now bringing Parma and Prosiutto ham from Italy as part of a two-way street that we made to get our walnuts and almonds in there.

A lot of people are working and will continue to work with you. The EEP and the TEA Program work well. We are going to have some problems with the budget but to the extent that we are able, if the other side does it, our commitment is, we will match you and do you one better.

I hope they resolve something at GATT. If not, we will just have to level the playing field through our own resources rather than doing it generically where everything we will do is item by item. That is our commitment and we will do that.

Mr. BARTON. Mr. Chairman, we really appreciate the efforts you put forth in helping us resolve that pasta war. If you have some German or French ancestry and could work the same wonders on the beef hormone problem, we would appreciate that too.

The CHAIRMAN. We have been working on that. My mother-in-law is German. Thank you very much.

Mr. BARTON. Thank you, Mr. Chairman.

The CHAIRMAN. The next panel is Mr. Starrh. Instead of Mr. Ullman we are going to have Ken Frick, Mr. Seasholtz, Mr. Galleano, and again Mr. Pucheu. Mr. Starrh.

STATEMENT OF FRED L. STARRH, PRESIDENT, WESTERN COTTON GROWERS ASSOCIATION

Mr. STARRH. Mr. Chairman, members of the committee, my name is Fred Starrh. I have been farming cotton here in the southern end of the San Joaquin Valley for 35 years.

Today I speak as a cotton farmer and as president of the Western Cotton Growers Association which represents thousands of farmers from every cotton producing section of California.

Cotton is a major industry in California, ranking No. 1 among the State's diverse field crops. In fact, four of the Nation's top cotton growing counties are here in this valley.

More than 1 million acres are planted every year in cotton in this State and last year our industry's gross income from cotton and cottonseed exceeded $1 billion.

I mention these statistics to emphasize the importance of cotton to our local economy and to the State as a whole. Obviously the shape of Federal legislation has a far-reaching effect on every segment of our economy.

Mr. Chairman, you are to be commended for conducting a hearing of this importance in the center of America's second largest cotton growing State.

We are encouraged that your presence indicates an interest in the views of those of us who depend on the land for our livelihood.

The California industry generally supported passage of the Food Security Act of 1985 which made major changes in the Cotton Program.

With allowance for a bit of a sag during the middle years of the act, the program has met its objective in making U.S. cotton competitive in domestic and world markets.

The program was designed to provide price and income protection for farmers. It has done that. It was planned to maintain sufficient supplies of cotton for domestic mills and for exports. It has done this as well.

This is why the farmers who govern our association have endorsed a continuation of the general provisions of the cotton title of the present farm program for another 5 years.

I would like to take a few moments to comment on a few specifics in the act. The Cotton Loan Program. We support the continuation of the 10-month nonrecourse cotton loan with an optional 8-month extension under the same conditions as in the current act.

The continuation should include requirements announced last month by the Department of Agriculture that producers and holders of cotton loans must pay storage costs on loans forfeited during the extension.

The present loan format should continue with a minimum level of 50 cents per pound.

Since 1986 approximately 23 million bales have entered the loan program and only 40,000 bales have been acquired by the CCC.

The loan merely permits the cotton grower to participate in orderly marketing. It is important we retain this 18-month loan program.

Ending the extension could be catastrophic should the next crop yield not meet the expectations of the market.

Acreage Reduction Program. Our association supports the renewal of a maximum acreage reduction of 25 percent in the next program.

The current supply and good demand in meeting the expectations of the 1985 act, and we urge retention of the 25-percent maximum ARP.

One-half ARP. The "one-half ARP" provision should also be continued in new legislation. The Secretary should be required to offer producers the option of participation in this program.

Producers who otherwise would be outside the Cotton Program could reduce acreage by one-half of the program requirement and receive loan eligibility only. This could be an effective means of adjusting supplies when needed.

Flexible ARP, a new concept we are considering for the next farm bill is adapting the so-called flexible ARP to cotton, patterned after the program option recently announced for wheat.

The plan would be implemented by the Secretary if he determined the announced program for the year would result in a shortage of cotton.

Under the plan, growers would be allowed to plant cotton on any portion of the base exceeding permitted acreage.

For each acre planted in excess of the committed acreage, the acreage used to determine deficiency payment would be reduced by 1 acre.

Without getting into all of the details, it appears the option would enhance the grower's flexibility and allow a quick response to market demand.

Our board of directors has not yet had an opportunity to fully consider the matter but we will submit a written recommendation this month to the committee.

Land diversion. On the other side of the coin, the Secretary should have authority to offer a paid land diversion if he determines that additional acreage needs to be diverted to the statutory targeted level.

Announcement of the ARP requirements should be made no later than December 1.

Target price. The target price concept should be continued and a level of no more than in the current act. All projection on permitted acreage should be eligible for deficiency payment.

Cross compliance. We would oppose continued authority for cross compliance.

Carryover, the Food Security Act of 1985 provides for a minimum carryover of 4 million bales.

This current crop year's closeout inventory is expected to be approximately only 3 million bales. For the new program, we recommend a carryover target that would be expressed as a stock to use ratio rather than continue the 4-million-bale fixed figure.

Adjusted world price. We support the recent change in determining the adjusted world price. It provides the Secretary discretion in determining the amount of adjustment within a maximum limit.

It triggers an adjustment only when the United States is uncompetitive and when a lowering of the AWP would likely be effective.

The 115-percent trigger level limits adjustments to those periods when such changes would affect the price at which producers repay price support loans.

We think the program will work better with these adjustments. In fact, it has been noted that had this new procedure been in place earlier, our cotton could have been priced competitive almost the whole period that we were noncompetitive in 1988 and earlier this year.

Flexibility, "triple-based option" or "three-based option" approach has been discussed in several recent forums by Members of Congress and USDA economists. While the motives are logical, we have to be very careful as to the type of crops that would be allowed on the permitted acreage. Serious economic analyses are needed especially in the San Joaquin Valley on the potential disruption to the nonprogram crops.

Import quotas, as you likely know, well over three-quarters of California cotton is exported and our producers are justifiably concerned about possible changes in international trade.

With more than 90 percent of the world's cotton production heavily subsidized from farmers to the mills, it is extremely difficult for U.S. growers to compete.

Recently our domestic mills have suggested that U.S. import quotas of raw cotton be scrapped. Over the years, the multi-fiber textile agreement and import quotas on raw cotton have worked well for producers and consumers.

If the import quotas are upset, the equilibrium of the two programs will be destroyed.

GATT negotiations, California's cotton industry also is concerned about developments in the Uruguay Round of International Trade Negotiations.

The original U.S. proposal sought to flatly remove all distortions to free trade including tariff and nontariff barriers, quotas, and domestic subsidies.

Under an amended U.S. plan unveiled at the midterm meeting, world agriculture programs would be based on the concept of tarification.

This seems to turn quotas, variable levies, and other barriers to trade into a tariff. This is a bold plan. But we are concerned about the ultimate effect it would have on the average U.S. farmer.

There have been no studies published on the plan's effect on a crop-by-crop basis. Studies have concentrated on how a U.S. grain producer would fare under a hypothetical free market, rather than looking at the farm economy as a whole.

As the proposal stands, the cotton farmers of California seem certain to lose. There are other serious reservations about the U.S. plan. It hinges on comparing the domestic price with a world price.

If the commodity is not traded freely, how can there be said to be a world price?

It would be impossible to calculate such price for cotton, especially since much of the world's cotton is grown by countries that are either planned socialist economies and or nonmembers of GATT.

A "world price" would be a "guess price." Should a tariff fall far short of a previous quota or subsidy program, there would be no recourse for an affected commodity such as cotton.

The tarification plan calls for binding the tariff with GATT and it could not be raised. The farmer would have nothing to fall back on. We definitely need some specific projections by commodity before this plan progresses further.

In conclusion, the summary of the Western Cotton Growers Association supports a continuation of the Farm Security Act of 1985 with some fine-tuning.

We specifically support retention of the 10-month loan program with an optional 8-month extension with a maximum ARP of 25 percent. The Secretary shall have authority to offer a paid land diversion and continuation of the "one-half ARP" and a carryover target expressed as "stock-to-use-ratio" instead of a fixed number of 4 million bales.

Internationally, we support the continuation of the import quotas currently administered under the Multifiber Textile Agreement and we urge preparation of detailed studies on how the California and United States cotton industry would be affected by the United States plan for world trade reform in the context of the Uruguay Round of GATT negotiations.

I just have one other comment I would like to make. It is not in the written testimony.

As president of the Western Cotton Growers, I would like to urge your support of the legislation that is presently in Congress on the cotton promotion and research bill.

We feel that is a step along with the 1990 farm bill that will be effective in promoting cotton for the future. And as that bill comes up, we urge your action and some means to get that through the legislature and signed into law because that will have the long-term effects of helping to promote cotton's future.

So with that, we certainly thank you for the opportunity of hearing our testimony and presenting it.

[The prepared statement of Mr. Starrh appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. Our next witness is Ken Frick, distinguished former colleague, public servant.

STATEMENT OF KENNETH E. FRICK, RETIRED FARMER, ARVIN, CA

Mr. FRICK. Thank you, Mr. Chairman and members of the committee. I look back, I believe it was 20 years ago this year, that I appeared in front of your committee. Another Texan, Bob Poage was chairman at that time.

And, yes, if there is such a thing as distinguished, it is way after and it is only in front of your grandchildren. The Ag Act of 1990, is it to be a warmed up version of past schemes or a change with vision and goals?

I believe the latter, with the goal of the agriculture receiving all of its income from the marketplace by gaining market access around the world and the determination by the Congress to phase out support by 1994.

The net result is a healthier set of farmers, less Federal budget deficit, and a healthy export business.

My own background has been as a subsidized farmer, an ASCS county committeeman, State committeeman, State director, and national administrator of the Farm Program agency.

With this perspective, I believe the following. The world should be our marketplace and this is what GATT was created for. The agency has failed agriculture.

Grains have been held out of Europe by tariff, rice out of Japan by edict, plus many more major impediments to trade.

During 40 years of GATT, our Government has made very little change to improve farmers access to markets. Always more important considerations compromised farmers access.

The other major failing has been our own laws; the relatively high loan rates of the 1950's and the dumping policies of the 1960's. I remember the loan rate of soybeans was too high in 1969.

And certainly the Ag Act of 1981 caused cotton to be noncompetitive during the 1985 sales year when less than 2 million bales were exported and even the 1985 act has had competitive problems with cotton.

My contention is that it is impossible to write a farm bill that supports farmers and keeps commodities competitive without timely and unlimited Treasury help on exports, which leads to the point of cost.

A couple of years ago there was an annual Government cost for farm programs of $25 billion, 15 percent of the Federal deficit.

If it is important to balance the Federal budget, then farmers could and should receive all of their income from the marketplace.

In California as in some other States, the unsupported segment of California's $16 billion agricultural production is twice the size of supported commodities. And I am told, more profitable.

Many of the products are just as storable and exportable as grains and cotton. Some commodities in the United States are supported like in Europe. Sugar is that way and has to be changed as long as we are asking Europe to change. The same goes for milk.

Today our programs reward some unequally, with payment limitations of so-called Christmas tree rewards, some larger farms put together by a capable lawyer.

The Sugar Program pumps millions of dollars into the pockets of the manufacturers of corn sweeteners at the expense of consumers.

Also, I believe it is fair to note our farm programs did not stop the farm depression of the early and mid-1980's. If farm organizations, corporate agribusiness, and Government, both Congress and the executive, would put as much effort into market access around the world as they put into domestic support, decisive moves could be made for farmers.

Producers can not pick up their farm to produce tomatoes in Mexico, oranges in Brazil, or wheat in Europe like corporations do when they find their product is noncompetitive.

That is why farmers must have equal access. By our lack of concerted action and accepting the notion that other policies are more important, we have allowed Europe, the countries we helped so much to win and recover from World War II to go from importing 20 million tons of grain to exporting or dumping 20 million tons into markets our farmers should be equally competitive in.

Many speeches have been made that all exporters need to do is to work harder and understand the needs and desires of people in a particular foreign market. That may be great advice if there is true competition and equal access.

But Government is the only one to deal with the European Economic Community to give farmers equal grain market inputing with the European farmers in Europe and the same for rice in Japan.

The responsibility rests squarely on the shoulders of the Congress and the President, both Democrat and Republican.

Then there are groups of conservationalists and environmentalists that wish their concerns to be solved in the Agriculture Act of 1990.

So in the name of supporting farmers, compromises are made that truly make no sense in many areas of the Nation. The price farmers and public pay in the name of conservation is not worth it.

The suggestion that the farmer produce what he wants and should be paid or supported according to his historical base is progress. This was available in the mid-1970's. It was set aside, being related to crop land if necessary. Then phaseout payments in 3 years so farmers who wish to produce for the marketplace do not have to compete with farmers receiving government money.

In conclusion, because of the lost markets, the runaway Federal deficits, the inequities caused by farm programs, and the opportunity to change the GATT to give farm commodities access to markets, it is an opportune time for major change.

The business of farming as in most other businesses should look to the marketplace.

[The prepared statement of Mr. Frick appears at the conclusion of the hearing.]

STATEMENT OF JOHN O. SEASHOLTZ, FARMER, FRESNO, CA

Mr. Seasholtz. Mr. Chairman and members of the House Committee on Agriculture, I welcome you to California and appreciate this opportunity to express my views.

I am John Seasholtz. I farm cotton in western Fresno County as well as tomatoes, cantaloupes, and alfalfa seed. Cotton is my principal crop. And I commend the Congress on the 1985 farm bill with respect to cotton.

I feel that the new farm bill should contain the market enhancement provisions and incentives as now enacted. I believe the loan should be 10 months. POP payments and if necessary, first handler payments, should be as now implemented.

I might add, I have been successful in marketing my cotton crop without ever using the Government loan. In place of the loan, I use forward contracts and options. I am against nonrecourse loans.

In the era of budget constraints, I feel that the highest priority should be placed on maintaining the marketing loan to keep our cotton competitive on the world market and to maintain our market share.

If budget requirements deem it necessary to reduce the costs of the Cotton Program, cuts should be made exclusively in deficiency payments through lower target pricing. Thank you very much.

The **Chairman**. Thank you, sir.

STATEMENT OF DAVID J. GALLEANO, FARMER, MADERA, CA

Mr. **Galleano**. Mr. Chairman, gentlemen of the committee, my name is David Galleano. I am a cotton farmer from Madera County and what I am about to present to you here today is not as is on the written testimony, because I believe that is something that you can read at anytime.

But it is something more that I would like to express. It is a feeling that comes from the heart that goes back to what I believe a lot of American farmers are feeling today.

I believe in the future of farming with a faith born not of words but of deeds and achievements won by the present and past generation of agriculturalists.

That was part of a speech I gave a long, long time ago while I was a member of the Future Farmers of America. That speech, that belief, and that feeling, has never left me in the last 20 years.

But what I am about to speak to you in regard to today goes not only with that feeling but with what one has had to endure over the past 20 years.

I believe in agriculture and I believe in farming and I have been doing it all of my life. I am a third generation farmer. My father was a farmer. My grandfather was an immigrant farmer from Italy. And we have been in this San Joaquin Valley since the early 1930's.

Coming out of high school, as had been probably noted in other testimony here today, there is no future farmer that can become a farmer. There is no possible way for anyone to get started in farming without family inheritance or other outside money to put into something that has the lowest return on its investment of any other business in this country.

Well, if we look at this, this is my belief, my belief in farming. I believe that what we have to do—and the talk of parity that has been talked and there will never be such a thing as parity.

I believe that Congress in 1985 and the Senate with the passage of the Food Security Act of 1985 was a very worthwhile and a very good step in the right direction.

I have to personally say that it has been a savior for myself in farming. In December 1985 I was at a crossroads. The question was: Will I continue to farm or will I not?

I do not own any property of my own. My dad owns some of his own property that he farms. But I do not. I farm on all rented property that I rent either year to year or on a multiyear lease from different individuals.

In 1985 prior to the Food Security Act passage, I was renewing a bad lease under terms and conditions where I was working and not even making minimum wage, in fact, far below that.

With the Food Security Act of 1985, there has been a little more stability, a little more goodness put into farming. And I believe that some sort of continuation of it I would hope comes out in 1990.

I guess maybe one question that was put forth to me in 1985 I would like to repeat. And the question is: What are you going to do if you do not farm? And my answer was, "Well, if I work in two different gas stations and work 40 hours a week at each gas station job for minimum wage, which at that time was less than what it is today, I will make about twice the money I am making farming." Working anywhere from 80 to 100 hours a week.

The Food Security Act of 1985 changed that. And it put us in a position or put myself in a position to be able to continue farming.

I was fortunate at that time in 1985 that I could stop farming, I was not making any equipment payments because I do not buy new equipment. I do not finance things long term that I do not know if I can be able to pay for.

So, everything was paid for and it was a question of, if you cannot make money, do you quit? And the answer in my mind was, I believe I am not the only farmer in this country that was in that situation in 1985 nor do I believe there are any less today than there were in 1985. I believe we have been able to go on and I believe that the program has been a success.

So I want to commend Congress for what took place in 1985 and in that spirit would hope that the 1990 farm bill would do as well for agriculture.

I would like to make about three quick comments. I also sit on Madera County's COC which basically administers what comes out of Congress.

In my written testimony, you will find a few points and a few statements in there that might be of interest in handling the farm bill and how it is handled on the local level.

We do our best at the county level to administer these ominous farm bills and believe we do a good job at it.

I believe the biggest drawback and the biggest problem that came out of the 1985 farm bill and the thing that might be corrected in the 1990 farm bill would be in regard to the floating of the payments.

I believe that it would be better for the Government or for Congress to know up front, after sign up, exactly the number of people that have signed up. I do not care whether the payment for cotton is 13 cents or 12 cents or 20 cents or exactly what it is. But whatever the number is, that number really should be set in stone.

Without it being set down as a hard fast number, you have people participating in some of the more creative programs that come out, on one of the more creative avenues, one being the 50/92 Program.

With the 50/92 Program—and there is an example in my written text, of two farmers both growing 1,000 acres of cotton. And when both these gentlemen—or excuse me—they are not growing 1,000. They have 1,000 acres of base on their respective farms. One goes in and signs up for the straight program and agrees to plant 750 acres. The other decides to go in and participate in the 50/92. So he ends up planting somewhere between 375 acres and 750 or actually 690 acres of cotton.

To make a long story short, let us assume that the program is a success. If the program is a real success and the average selling price of cotton for the year is determined by what is written in the farm bill happens to be over the target price, then all of the money is refunded from the advanced payments.

The gentleman that participated in the straight program theoretically should be able to recapture what he was not budgeting and planning on from the Government with actual cash value of the commodity that he sold.

The gentleman on the other hand that in good faith participated in the 50/92 Program and planted the 375 acres of cotton is in a situation that there is no way that he can recover.

It is already too late to plant additional cotton acres because the time has long since passed. So what he is forced to do is by participating and by the premise of supply and demand, him being the one that planted the least cotton and helped solve the problem of oversupply the most, he suffers the most.

And if you will look at the text and maybe it will be more clear as of the 50/92 Program, I believe that anything other than the straight programs should be guaranteed as the 50/92 programs were for some of the wheat and feed grains.

And with that, I will leave you to make up your minds on what ends up being done and at any time answer any questions as to what the COC has been dealing with, with the 1985 farm bill. Thank you.

[The prepared statement of Mr. Galleano appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Galleano.

STATEMENT OF JOHN E. PUCHEU, JR., CHAIRMAN, BOARD OF DIRECTORS, CALCOT, LTD., ACCOMPANIED BY TOM SMITH, PRESIDENT

Mr. PUCHEU. Mr. Chairman, Congressmen, ladies and gentlemen, I appreciate the opportunity to appear before this committee this afternoon. I especially appreciate the fact that this meeting is being held here in the San Joaquin Valley.

My name is John Pucheu. I am a cotton producer farming in the Tranquillity Area of Fresno County. I also serve as chairman of the board of directors of Calcot Ltd.

And it is in this capacity that I am here today. Tom Smith who is the president of Calcot is also with me and he will help in assisting in answering any questions.

Calcot is a grower-owned cotton marketing cooperative representing cotton growers in the Far West of the United States, specifically California and Arizona.

We have some 3,400 grower-members who produce nearly 2 million bales of cotton annually. This represents 12 to 15 percent of the crop in the United States.

Many people fail to realize the importance of cotton production in the Far West. Cotton is the No. 1 agricultural crop produced in both California and Arizona.

In addition about one-third of the entire Nation's crop is grown in California and Arizona. When the 1985 Food Security Act was being written, conditions in the cotton market were extremely bleak. Domestic mill use was declining, exports were sharply lower, stocks were rising, and farm prices were low.

Before discussing our proposals for the 1990 farm bill, it is important to review the results of the 1985 legislation.

In the 1985 Food Security Act, the U.S. cotton industry sought a new approach to enhancing its competitiveness, providing support to grower income, and insuring an adequate and stable supply of cotton to meet both domestic and export needs.

This new approach was to combine the existing 18 month, nonrecourse loan program and target price concept with a marketing loan which would permit loan repayment at a market determined price, the adjusted world price.

This new approach has been remarkably successful despite the continual efforts that have been made to change the program.

Some in the industry have misunderstood that this program was never meant to assure that U.S. prices would be the lowest in the world, only that they would be competitive.

In looking at the results over each season, instead of looking at the results on a particular day, the 1985 Food Security Act has been a success.

For example, U.S. cotton exports will average 6.8 million bales in the first 4 years of this act compared to only 5 million bales a year under the 1981 act.

Domestic mill use has surged from an average of 5.8 million bales from 1982–85 to an average of 7.8 million bales a year under the current act.

These increases in demand indicate dramatically that U.S. cotton has been more competitive under the 1985 Food Security Act. Cotton has been made more competitive while Government costs have been below projections made when the bill was passed.

Initial projections estimated the cost of the Cotton Program under the 1985 act would run over $8 billion. It now appears that the actual costs will be close to $5 billion.

While this cost remains high, the success in the current legislation in increasing demand has kept costs contained.

The evidence is clear that the basic concepts of the current legislation have been successful. Calcot supports maintaining the majority of the current act.

Let me review Calcot's thoughts on some of the specific elements of the farm bill.

We believe the foundation upon which the legislation is built is the 18-month nonrecourse loan. This provides the support necessary for both financing production and supporting grower income. The 18-month period is critical to the loan program. Agricultural production is uncertain. In any given season we may produce too much cotton. The 18-month period allows cotton marketing to bridge across crop years.

If too much cotton is produced, it would not be forced into an inelastic market, depressing prices. With a 10-month loan and the 8-month extension, the grower would be able to market his cotton instead of dumping it.

The grower would benefit when prices rebound the next season instead of someone else. Without the 18-month term, price volatility would increase and it would not be possible to assure domestic mills an adequate supply of cotton.

There has been much criticism of the 8-month extension. I would like to emphasize that this extension is not granted unless prices dictate that the additional period is needed.

Calcot supports the current trigger level of 130 percent of the previous 36-month spot prices used in determining when to offer the extension.

There have been some people who have criticized the loan program for keeping cotton off of the market. The facts reveal that cotton has not been trapped in the loan as some have claimed.

Of the nearly 23 million bales that have entered the loan under the 1985 act, less than one-half of 1 percent have been forfeited to the Commodity Credit Corporation. This compares to 9.4 percent of the loans entered under the 1981 act. Clearly the program has worked.

The cotton loan level is currently established using a formula that compares U.S. prices over the last 5 years with most recent season's world prices, and sets the loan based on a percentage of the lower of these two levels.

Calcot supports this formula and the 85 percent of U.S. spot prices or the 90 percent of world prices.

We, however, suggest that the world price formula should be based on the adjusted world price rather than the current formula.

Target prices were begun as a market-oriented approach to supporting farm incomes. The gradual reductions incorporated into the 1985 act have brought the target price down 10 percent from the levels of 1985.

At the current level, the target price reflects the cost of producing cotton and we do not support further reductions.

Calcot urges the committee to consider using the cost of production when determining the appropriate target price level.

The marketing loan has worked for cotton. While our industry has struggled to find agreement on a proper formula for establishing the adjusted world price, we believe that the basic concept is sound.

Calcot supports the current formula including the discretion that was recently given to the Secretary to adjust the adjusted world price.

When it becomes necessary for a program limiting acreage, it is important that the program be voluntary, not mandatory.

If farmers wish to take advantage of the benefits, if they wish to comply. If they wish to stay outside the program, they should be given the opportunity of free choice.

Without this, our Farm Program becomes no different than a centrally planned economy.

However, with voluntary programs, it is necessary that the Secretary of Agriculture be given adequate tools to enact his programs. There must be some incentive for growers to participate.

Deficiency payments can induce compliance if allowed to do so. But the $50,000 payment limitation prevents this from working.

In voluntary programs, we are paying growers a return for their participation in the same way we would pay someone to construct a building. Would there be any construction if we decided to limit our payment to only $50,000 no matter what the size of the building?

For voluntary programs to work the payment limitation must be eliminated. Particularly onerous is the $200,000 limit on benefits from the marketing loan. This program discourages efficient producers and should be eliminated.

Payment limitations have not worked to reduce Government costs. The only changes in costs have been increased costs to administer the program and an increased legal and accounting cost to the growers.

Perhaps the one certainty in agriculture is uncertainty. Conditions change constantly and farm programs must be flexible enough to adapt to these changes.

The 1985 act mandated that the Secretary administer the program to ensure a carryover of 4 million bales. Calcot believes it would be more appropriate to consider the ratio between ending stocks and use when determining the cotton program.

We urge that a goal of 30 percent be used in evaluating what acreage reduction program is needed.

Flexibility has been a key word in discussing the 1990 farm bill. Calcot suggests that a key reason for that flexibility has not existed in the current program has been cross compliance.

We urge that the committee prohibit cross compliance as a condition of participation in the Cotton Program. We also believe that flexibility is best addressed by allowing growers to evaluate their planting intentions along the lines of this year's Wheat Program. In this case a grower would be allowed to plant additional acreage, but would do so realizing that this additional acreage would not be eligible for deficiency payments.

This is similar to the one-half ARP option permitted in the 1985 act, a provision that the Secretary has chosen not to implement.

As a result of the changing supply/demand considerations, some people have suggested postponing the announcement of the program from November 1 to January. This would be extremely detrimental to western producers.

Our growers begin their ground preparation for the next season as soon as they harvest. We need an announcement no later than November 1 and many growers would prefer knowing earlier.

If conditions change, the Secretary could announce additional pay diversions or could allow amended contracts with additional acreage outside the program. But the basic program should be announced by November 1.

With regard to acreage bases, Calcot supports the current formula. We encourage the committee to standardize the formula across commodities.

The current 1-year lag in ELS based calculations combined with a restriction on building ELS base without reducing base on another program crop can lead to a grower losing their base.

This situation should be remedied. Yields used for program purposes should be based on historical yield. The current practice of using yields frozen at 1985 levels encourages inefficient producers.

We urge the committee to return to using moving historical yield. Nearly 40 percent of the cotton produced in the world comes from Russia and China, and neither of these countries are signatories to GATT.

We would hope that any agreements reached under the GATT would take this into account. Before GATT negotiations conclude, Calcot urges that crop specific impact studies be conducted.

The concept of producer-financed research and promotion has been strongly supported by the cotton industry. Cotton Inc. has been a proven success and we support the current legislation to provide for a uniform, mandatory assessment.

You may hear some of the industry call for major changes. Calcot believes in maintaining what works. The 1985 Act has worked. While we support fine-tuning of the legislation, we urge the committee to support the basic concept of the 1985 act.

Calcot believes that the 1990 farm bill, if drafted along these lines, will allow for continued expansion of demand and will permit cotton growers to share in the prosperity of the industry. Thank you.

[The prepared statement of Mr. Pucheu appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much and we thank all of you.

This is another point for "The world according to de la Garza." But part of the testimony has brought out a fact that merits attention and light at this point.

Legislation, I say, is the art of the possible. What is possible that day, that hour, that minute. We come out of our Agriculture Committee usually united but that is only 45 votes.

We have maybe 30 or 35 other colleagues from agricultural areas. But we need 218 for legislation. We have to establish a degree of credibility in what we do to get from there to the 218; that is why I call it the art of the possible.

Now, listening to the testimony throughout the day, some have said they did not like the 1985 act then. They do not like it now. That has not changed. Some have said, it would not work, and still will not work.

There are those who are now saying it has worked. There is a football game out in the street here tonight between this university and another university down the road. Up until game time they are going to be revising the game plan, how they are going to play the game, what plays they are going to call.

We are playing with a game plan we put in place in 1985. One person says it has been such a tremendous victory for him because of the consensus, the art of the possible. I think it has all been put in perspective here, regardless and with all due respect to all who have testified, by you, David Galleano.

I come from the land in south Texas and there is an old Spanish saying down there, "If you go on the land and you do not feel the vibration, forget it. It is not going to grow for you. You are not a farmer."

You just said exactly that, David Galleano. So, those who did not like it then, do not like it now. So be it. Those who say it has worked, we appreciate that. If what we did to the game plan then and the action we are doing now kept one David Galleano on the land, then it has been all worthwhile. Thank you very much.

The next panel we have Mr. George Butts, Mr. Walt Shubin, Mr. Tom Castle, and Mr. Alfred Montna. Mr. Butts.

STATEMENT OF GEORGE E. BUTTS, DIRECTOR AND PAST PRESIDENT, CALIFORNIA BEET GROWERS ASSOCIATION

Mr. BUTTS. Mr. Chairman, members of the committee, my name is George Butts. I am the director and past president of the California Beet Growers Association, a farmer from Los Banos growing sugar beets, cotton, dried beans, and alfalfa.

I appear before you today on behalf of the California sugar industry. This industry consists of grower members of the California Beet Growers Association, the Delta Sugar Corp., the Holly Sugar Corp., Spreckels Sugar Co., and the California-Hawaiian Sugar Co., and the labor unions representing us as their employees.

We appreciate the opportunity to express our views. Mr. Chairman, we are concerned that although the Secretary of Agriculture has authority under the 1985 farm bill to increase sugar support price based on certain criteria, including cost of production, he has elected not to do so.

The sugar loan level of 18 cents per pound raw value has remained unchanged over the life of this legislation. My costs of producing sugar beets have increased substantially.

Last year the California Industrial Welfare Commission increased minimum wage in California by nearly 27 percent. This increased the wages paid my part-time unskilled employees.

It also impacts the wages paid to my full-time people who are paid wages much higher than the minimums, and I try to maintain the wage relationship between these working people.

In 1987, new requirements were placed on me by the Immigration Reform and Control Act which requires certain precautions in hiring people and providing paperwork to show that I do not hire illegal aliens.

If we do not meet these requirements, harsh civil penalties can be imposed. To meet the requirements is costly and it is time consuming.

I must meet certain timetables for documenting the timing and type of materials, standard of application, plant back, and other restrictions.

All of these requirements take time, and time is money. I use these examples not to complain but to point out my costs to produce beets are impacted by governmental actions over which I have no control.

These are costs born by U.S. sugar growers and processors that are not imposed on foreign producers.

Mr. Chairman, I could continue to point out other examples of increases in my cost of producing sugar beets but I believe these are better shown in the USDA's cost study on the 1988 crop.

The detailed study shows that the total cost of producing sugar beets in California increased between 1984 and 1988 by $113 an acre. This represents an increase of over 13 percent to the grower's actual costs.

The USDA has the authority to act to increase the loan rate to help a grower recover part of these costs. This cost-price squeeze increase is reflected in a reduction of sugar beet acreage in this State.

During the period of 1985–88, sugar beets planted in California averaged 204,000 acres; whereas today, this year, we are down to 174,000 acres.

This sugar business in California is an integrated industry. Both the growers and the processors are dependent upon each other. If one party fails, so does the other.

One processor advised me that their total fixed costs over the past 5 years have increased by 12 percent. This increase in total cost per unit increased dramatically as the volume declines.

It appears that we may see a slight improvement in sugar values in 1989 due to reduction in acreage in California and beet disease and rot and other crop-related problems in the various beet growing areas.

When the weather-disrupted production in other areas returned to more normal levels and sugar prices declined to levels more closely related to the current loan levels for sugar and with no substantial increase in volume, our processors would be in trouble and growers could lose a market for their sugar beets.

I would like to deviate from the script for a moment and state that I find it extremely difficult to understand why the Secretary of Agriculture has not increased the loan level as authorized by legislation in the light of increased production costs of sugar beets, truly demonstrated by the costs that he made and published by his own Department personnel.

We urge that your committee review this matter with the Secretary of Agriculture. There has been a substantial cost increase for growers and processors of sugar.

The Secretary has the authority to improve the support level for the 1990 crop. Now is the time for him to act to bring sugar support levels in line with the intent of Congress.

Mr. Chairman, a strong sugar policy is extremely important for our industry and the economy of this State. The sugar produced in the eight California beet processing facilities and the Hawaiian-produced sugarcane refined at Crockett by the California and Hawaiian Sugar Co. represents nearly 18 percent of total U.S. production.

The value of sugar and by-products is about three-quarters of a billion dollars. And when the multiplier effect of the sugar sales, wages, taxes, and other economic factors are considered, it places the value of the sugar industry well over $2 billion.

Various segments of the sweetener industry are currently working to develop recommendations for sugar provisions for inclusion in the 1990 farm bill.

When those decisions are made, they will be forwarded to the Cotton, Rice, and Sugar Subcommittee of the House Agriculture Committee.

We appreciate the committee's efforts to visit the central valley of California to learn more about agriculture in our State and how governmental policies can impact our total operations. Thank you.

[The prepared statement of Mr. Butts appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much, sir.

I might add that our colleague, Congressman Espy has departed to go in our behalf to look at the areas of the earthquake and do some work there this afternoon and tomorrow before returning to Washington.

That is why he left. Hopefully, to get there before nightfall. Mr. Shubin, we will be happy to hear from you at this point.

STATEMENT OF WALTER A. SHUBIN, FARMER, KERMAN, CA

Mr. SHUBIN. Welcome to Fresno. Mr. Chairman and members of this committee, I appreciate the opportunity to appear before you today to discuss the Food Security Act of 1985.

This subject will be quite easy for me because I happen to be one of the victims of the 1985 farm bill. No human being should have to endure the pain and suffering that my wife and I have endured for over 4 years.

I can not imagine the pain and suffering that over half a million farm families went through that lost their life savings, all their possessions, forced from their land and out of their homes.

I have done some traveling across our great country to farm crisis meetings. I have listened to people tell their personal horror stories, each one would make everyone in this room sick to their stomachs.

Some families have been on the same land for 10 generations, even survived the last Depression, only to lose their land because of the 1985 farm bill.

Can you imagine in one State alone, Oklahoma, in the last 6 years there were 160 suicide deaths due to stress because of loss of their land, their homes, and everything they worked for all of their lives.

I am sure you have heard that the 1985 farm bill is working, stay the course. Gentlemen, this bill is a complete disaster.

When this country loses well over a half million farmers, something is wrong. Under current administration policy, the Nation's farmers realize the return on equity of minus 13.4 percent.

According to Forbes, food processing conglomerates over the last several years have averaged outrageous returns on equity of plus 33.4 percent. This present farm bill is working for the commodity tradesman, not the farmer.

Something has to be done with trade. We can not continue with our present trade policies. We are the only country practicing free trade. We need free and fair trade.

Most other countries have tariffs on their farm commodities, thus protecting their farmers, but our Government expects us to export most of our farm commodities at below our cost of production.

We need a complete new farm bill for 1990. We need a loan program. Prices must be based on our cost of production. This can be achieved by a reasonable management program.

Under the Steigel amendment, 1942 through 1954, farmers were on par with the rest of our economy. Farmers made a profit. We had a balanced economy. We were the richest country in the world and the program did not cost the Government or the taxpayers a penny.

Now, under our present program we are the biggest debtor Nation in the world. No other industry in the American economy is asked to sell their products below their cost of production. Yet the American farmer has been expected to do this under the 1985 farm bill.

Our country needs a balanced economy for all segments, agriculture, industry, and service. This is the only way we can have a balanced budget. Thank you.

[The prepared statement of Mr. Shubin appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you, sir. Mr. Castle.

Mr. SHUBIN. Pardon me. I have another thing. Can I have another second?

The CHAIRMAN. Yes, you may proceed.

Mr. SHUBIN. In regard to the pesticide issue, Mr. Barosso mentioned the "Arizona Republic" newspaper publishing the dates that the FDA would be inspecting the borders and such.

If you would like, all of that information will be in Congressman Gary Condit's office along with a tape from NBC that will tell that whole story.

The CHAIRMAN. I do not give much credence to NBC, but we will check with FDA. It does not sound like it might be. It could be. Sometimes people in government do crazy things. I will admit to that.

It does not sound like it to me but we are going to check it out. I appreciate your courtesy and send whatever you have. I am sure it could be helpful.

Mr. SHUBIN. I thank you very much.

The CHAIRMAN. Thank you, sir.

Mr. Castle.

STATEMENT OF THOMAS S. CASTLE, FARMER, MORGAN HILL, CA

Mr. CASTLE. Thank you, Chairman de la Garza and committee members. I am more or less following up on what one of your earlier speakers said about the environmental concerns involved as a result of the farm bill.

I am the previous owner of a 683-acre parcel of land in Merced County. For the last 2 years I have been fighting a battle with Farmers Home Administration and now the Fish and Wildlife and California Fish and Game over the right to exercise my leaseback, buyback rights as established in Federal law.

I wanted to bring some of the issues regarding conservation and environmental issues arising under the Food Security Act to your attention.

I do not believe that the current administration of these programs reflects congressional intent. As a result of 2 years of drought and another year of unusual early rains which drowned out my seed crops, and a few other things, like an earthquake knocking 60 percent of my 240 acres of pears on the ground, I lost the parcel of land, the Farmers Home bought it out at a default action which probably could have been avoided if I had some cooperation.

But all along they assured me, "Well, you are going to have the right to lease, buyback on this." I immediately applied when they took it over and unfortunately it was not as simple as they told me.

FmHA responded by providing me with a recommendation from the fish and wildlife services which stated animals—probably kit fox, which is an endangered species under Federal law and is only threatened under California—had been sighted on adjacent properties.

Therefore, the ideal use for this land was to have the Federal Government give 683 acres in fee title to the State of California for the establishment of artificial kit fox habitat, and no farming.

Well, there is a map attached in there and this particular parcel is near Santa Nella, which some of you know is by Anderson Soup, the restaurant on highway 5, but on the north/south line, highway I-5 cuts this parcel in half.

On the east side is State Highway 33 and then going east/west is another road that will be the main entrance to the main access to the Federal cemetery that is going to be under construction this next year.

So then on the west side there are two major canals, I think they are 80- or 90-feet wide. So this really is not the place to raise kit foxes when they go on record as saying that the main cause of mortality of little animals is from crossing roads.

People in the area say, what is wrong with you? You should know better. You might be biologists but where is your common sense?

So anyway, we went pursuing the right I had to lease and repurchase the property under Federal law. I began objecting because the Fish and Wildlife insisted that the property be given to them and then if there is no use for wildlife that I could possibly make a deal with them or California Fish and Game to try to do something.

Well, we had a series of meetings then in which Fish and Wildlife personnel emphasized that the Federal Government under a memorandum of understanding executed between FmHA and the U.S. Fish and Wildlife Service had the right to take this property and decide first, if it had any environmental value whatever and then only if it did not would I be permitted to lease or repurchase it.

They were obviously wrong because the land is neither wetland, floodplain, or critical habitat.

In fact, section 1314(a)(2)(b) of the memorandum requires FmHA to first give the previous owner the right to lease it or purchase the property.

When I continued objecting the agency switched to citing section 7 of the Endangered Species Act of 1973 as the authority for their action.

And this act refers to critical habitat which this land is not and to any Federal action which could jeopardize continued existence of any listed species.

Well, my leaseback, buyback thing would only be a paperwork transaction. It would not have any impact on the listed species.

Both my attorney and I have argued this point for almost 1 year to little avail. Approximately 60 days ago, the FmHA State directory referred the matter to the Fish and Wildlife Service for a 90-day formal consultation for which he cites section 7 of the Food Security Act.

Since there is no Federal action even this formal consultation is without legal authority.

To date the U.S. Government has lost $70,000 cash rent for the year that has passed. The land sits empty and unfarmed.

I cannot get it. Just now the Farmers Home Merced Office offered me a rental rate much higher than it should be and that is for a temporary 1-year proposal pending the outcome of the consultation period with the Fish and Wildlife Service.

Further, they are requiring the establishment of 160 acres of permanent pasture for the benefit of the kit fox which do not live there and have not for over 40 years.

This requirement makes no sense whatsoever. It is not economically viable to install fencing, cross fencing gates, underground pipelines or a water supply on a 1-year basis.

I do not have cattle and I would not be allowed to sublease even if there were anybody interested and there is not.

So there is no history of kit fox ever living there on this acreage and it has been extensively farmed for 40 years.

Because much of this nonsense has been carried out under the Food Security Act of 1985, I would ask that you review the environmental and conservation requirements of that document before the 1990 food security legislation is considered and enacted.

It does not seem to me that this kind of activity is what Congress had in mind when the existing legislation was passed.

I appreciate your taking time to meet here in Fresno and listen to the local farmers and others and thank you for the opportunity to participate.

Really what this has boiled down to, the environmentalists, activists in these various organizations have said, "One endangered species animal, once a year, walks across this property that they then have the right to take it and convert it back to what it was 50 years ago." That is really what it gets down to.

There has been a lot of misuse of these regulations, unfair to the former owners and to the U.S. Government and taxpayers. And somewhere it has to end.

Thank you very much.

[The prepared statement of Mr. Castle appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much for your information.

Mr. CASTLE. Any questions?

The CHAIRMAN. I do not know if the other members have but if you would send a summary of your problem to our committee, we will be glad to look at it on your behalf and see if there is any way that we can help. Mr. Montna.

STATEMENT OF ALFRED G. MONTNA, CHAIRMAN, CALIFORNIA DELEGATION, U.S. RICE PRODUCERS' LEGISLATIVE GROUP

Mr. MONTNA. Thank you, Mr. Chairman. Mr. Chairman, members of the committee, I am Alfred G. Montna, rice farmer, chairman of the California delegation of the U.S. Rice Legislative Group.

I serve with Stew Jessup of Arkansas as vice chairman of the entire U.S. Rice Legislative Group, which represents the vast majority of growers in Texas, Arkansas, Mississippi, Louisiana, Missouri, and Florida.

California is a very active participant in this group. Their delegation represents growers from two cooperatives and independent producers who contract with proprietary milling firms in our State.

We represent 98 percent of the rice producers in California. The California delegation of the U.S. Rice Legislative Group strongly endorses the rice provisions of the 1985 Food Security Act.

The rice section has worked extremely well for our industry. Our position is to extend the current bill in its present form for 5 years. In other words, Mr. Chairman, an exact carbon copy of what your committee so artfully crafted for rice in 1985.

When the 1985 Food Security Act was signed into law, U.S. rice was noncompetitive. It had heavy surpluses, declining markets, low prices, high cost to the Government and the taxpayers.

The 1985 farm bill put us back in business. I will briefly share some of the data from that period to demonstrate its success.

On August 1, 1986 we had over 64 million hundredweight of rough rice in inventory in the United States. Commodity Credit Corporation owned 44 million hundredweight of those.

Today Commodity Credit Corporation carries no surplus rice in its inventory. In California, 4.7 million was forfeited to Commodity Credit Coporation for loan value in the 1984–85 period. That was 15 percent of the California crop.

The 1985 Food Security Act has done its job. Our stocks and demand are in balance and we are selling what we grow. The 1985 farm bill created a more competitive and profitable U.S. rice industry.

Looking to the 1990 bill, we support the continuation of the 1985 farm bill in its present form, protecting farm income to the maintenance of the current target price structure is very important.

With inflation and current production costs, we believe target prices are exactly where they should be. The establishment of competitive loan rates through the continuation of the Marketing Loan Program is necessary to maintain renewed economic prosperity in the rice industry.

Continuation of aggressive export problem programs is also important. With the Uruguay Round of GATT in a critical stage, it is vital for the United States to not unilaterally eliminate or make major revisions in existing farm policies.

U.S. rice farmers cannot compete with governments that have unfairly subsidized rice producers.

Market access continues to be high priority to U.S. rice producers and our trade imbalance problems. How much longer can we wait before there are meaningful, successful negotiations between the U.S. Government and the Government of Japan over the rice that is at issue?

There has been massive restructuring of the U.S. rice industry as a result of the person definition legislation passed by Congress 2 years ago.

Let us give the program more time before we rush and establish new rules. For we have all seen payment limitation and enrollment programs working very well. We also ask the $50,000 payment level be continued.

Mr. Chairman, there is considerable discussion about more flexibility in U.S. farm programs. We are not against more flexibility for producers or government foreign policymakers. We do want the record to show that through programs like triple base, et cetera, the rice industry will not necessarily participate.

No major planning shifts will occur. Rice is a unique crop. The land is often not suited for other programs or oilseed production.

We know there will be those who will lobby hard for provisions in the farm bill that will cut the use of pesticides, artificial fertilizers, and chemicals in the production of agriculture.

The U.S. food supply is the safest in the world. Many chemicals help to make U.S. agriculture productive, profitable, and ensure adequate supplies of food for American consumers and others around the world.

We do not agree that the 1985 Food Security Act or any other legislation encouraged heavier use of chemicals. The efforts of some to say that the farm bill provided financial incentives to farmers to use pesticides and herbicides is simply not true.

Rice farmers, particularly in California, are vitally interested in water quality issues. We have gotten agricultural chemical use to the most cost effective levels.

However, the industry strongly opposes any initiative that would mandate specific production practices in an effort to address the water quality concerns.

These concerns need to be addressed at the State and local levels for production practices, soil types, and climatic conditions of specific geographic areas.

Finally, Mr. Chairman, California rice producers strongly oppose legislation that would prohibit farmers participation in ag-commodity price support programs with recipients of so-called subsidized irrigation water.

Referring specifically to H.R. 2386 and Senate bill 1032, legislation known as the Irrigation Reform Act of 1989.

This is another attempt to attack the programs of the Bureau of Reclamation which has developed western water at prices farmers can afford. American consumers have also benefited; food prices are very reasonable.

In summary, Mr. Chairman, 5 more years of the same program, target price levels at existing levels, and continuation of the market loan program, export enhancement, and target export assistance programs, the $50,000 payment limitation to be continued, and no change in the person definition of the rules.

I thank you for allowing me to attend.

[The prepared statement of Mr. Montna appears at the conclusion of the hearing.]

The **Chairman**. Thank you very much. Any questions?

[No response]

If not, we thank all of you and we appreciate your contribution and your being here.

Mr. Castle, if you would care to send us your information, we will see if we can help you.

Mr. **Castle**. Thank you very much.

The **Chairman**. I thank all of you. We have one more witness, Mr. Markian, Dick Markian. Is he here?

If not, I would like to thank everyone that has helped organize this hearing of the committee, all who have testified, a very special appreciation to this university and those who have helped us in this endeavor. We are honored to be at Fresno State University and we appreciate the courtesy and everything that they have done.

Congressman Condit, beginning with your predecessor and now with you, thank you for inviting us to come here and thanks to our colleagues, Messrs. Lehman, Herger, and Pashayan for being with us. I think that the purpose of these hearings, as we go throughout the country, is to hear from everyone we are able to have come.

As you can see if you have been here through the day, not everything is in agreement. Everyone has a different version. Everyone has a different perspective.

It is our intention and our responsibility to try and somehow bring to the middle ground all of those concerns, positive or negative.

It is a very difficult process as I mentioned earlier. If Fresno State were to meet San Jose State tonight with a game plan that they made in 1985, it would be quite a hell of a game.

Mr. PASHAYAN. Mr. Chairman, would you yield a second?

The CHAIRMAN. Yes.

Mr. PASHAYAN. If Fresno State met San Jose State tonight with a game plan they made in 1985, they would still win.

The CHAIRMAN. Well, I guess probably that is what we would say. That our game plan from 1985 for agriculture, according to Mr. Galleano, may have proven to be worthwhile regardless of whether some agree or some disagree.

I know we have lost a lot. The last thing we want to do is to have a farmer go off his land. But the farm bill is but a very small part of everything that impacts on agriculture.

I guess we get all of the blame or we can get all of the credit. But the value of the dollar, how the market fluctuates around the world, weather in Brazil, weather in China, weather in the Soviet Union, what happens to their governments—there are a lot more things that impact on American agriculture than the farm bill.

That farm bill does not touch a vast number of producers in fruit and vegetables. My area is basically fruit and vegetable and the most we get from the Government is harassment and interference because our fruit and vegetable industry does not reap any benefit from the commodity program.

Why the commodity program was established for those commodities, I do not know. But that is what we have in place now.

We have to make it work within the art of the possible. But we still are the best-fed Nation in the world. Not that there are not cracks and there are not hungry people in the United States, there are.

But it never has been the fault of the farmer. Something else went wrong. They do not have a job or disaster or something else went wrong.

Before our committee we have had farmers who have land that they have owned for generations.

But you can not point a finger solely at the 1985 or 1981 or 1977 or any act because too many other things impact. Probably the one that impacts the most is the Good Lord with the weather that He gives us.

The farmers try. A farmer knows without good soil and good water and clean air, you can not survive. But what makes prices fluctuate up and down is not the 1985 or the 1981 or the 1977 or the 1949 acts. There are a lot of things that make prices go up and down on any given day of the week and month.

But the thing is, that somehow, there should be an opportunity for us to try and gather the information to see whether we should or should not proceed with further legislation. That is the reason for us being here today.

We thank all of you for your assistance and all who have helped to make this what I think has been a very, very worthwhile day for us. Mr. Condit.

Mr. CONDIT. Mr. Chairman, I would just once again thank you and the committee members for being here today and I know that we in the central valley are appreciative of your efforts to get here and hold this hearing.

And I know that when you begin to draft the 1990 farm bill that this hearing will go a long way in making sure that the central valley is considered and treated fairly when that is drafted. And to my two colleagues who sat in all day, thank you too.

The CHAIRMAN. I thank Mr. Herger. Thank you.

Mr. HERGER. Thank you.

The CHAIRMAN. Mr. Pashayan, thank you.

Mr. PASHAYAN. Thank you, Mr. Chairman for letting our Rules Committee join your very good committee.

The CHAIRMAN. Well, there is a reason to our madness. Our bills do not get to the floor unless they go to the Rules Committee. So we thank all of you. And, especially, again a special thanks to Fresno State University. We wish both teams well tonight.

Mr. HERGER. Mr. Chairman, I want to join in thanking you for bringing us here to California and hearing about so many of our commodities that are so very important to us and taking the time to come here personally yourself.

We have a subcommittee that comes periodically but to be able to have the full committee come here, and with your presence, it means a great deal to us so we thank you very much.

The CHAIRMAN. Thank you and with that the committee will stand adjourned.

[Whereupon, at 4:35 p.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows.]

STATE OF CALIFORNIA GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF FOOD AND AGRICULTURE

TESTIMONY OF

HENRY J. VOSS, DIRECTOR
CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The Effectiveness of Federal Agriculture and Rural Development Policies Since the Enactment of the Food and Security Act of 1985

Many provisions of the Food Security Act of 1985 are designed to improve the market orientation of U.S. farm policy while supporting a better management of farmland through soil conservation.

The export of farm commodities has been supported by the Export Enhancement Program and Targeted Export Assistance Program. The Export Enhancement Program was first implemented in May 1985. The program has three basic objectives: to challenge unfair trading practices in California agriculture; to encourage negotiations on agricultural trade reform; and to regain foreign markets for U.S. farm commodities. The program encourages the development and expansion of export markets for U.S. agricultural commodities and high-value products. The Targeted Export Assistance Program provides financing for export promotions and market development projects for those farm products which have disadvantage by unfair trade practices. This program provides support to generic promotion programs, non-profit associations, regional promotion organizations, and for export incentive programs. Several states have also developed additional export programs, such as the Agricultural Export Program in California. All these federal and state programs have been successful; the export of farm commodities has increased since 1985.

The federal dairy program was oriented towards the reduction of milk production through lowering the number of cows on farms. Dairymen received financial incentives to reduce herd size. However, at the same time, output per cow rose and the overall milk production continued to increase.

Federal price and income support programs should be analyzed for their overall impact on agriculture. These programs indirectly encourage mono-cropping through the historical acreage principle which is based on the minimum number of acres planted in the same crop for five years. If rotations were allowed within government price support programs, they would provide flexibility for farmers to improve their management, respond more rapidly to market demands, improve soil nutrient deficiencies and control pests. Crop rotation is essential for environmentally-sound farming systems.

The federal farm program has not successfully addressed the economic problems of rural counties. The government deals with these problems by transfering funds to rural areas through assistance programs. These may include workforce training, building roads and other infrastructure, hiring consultants, and similar types of assistance. These programs are mostly short-term and do not address the longer term problems of rural economies. The type of federal policies needed are those which would support the long-term economic self-reliance of rural counties based upon the effective utilization of their resources.

In an effort to prevent farm production on erodible croplands, the USDA initiated the Conservation Reserve Program to assist in removing land affected by soil erosion. The total U.S. acreage idled under Federal programs was just over 78 million in 1988, including 24 million acres of land in the Conservation Reserve Program removed from production for 10 years. It would be desirable to also include in this program lands on which production capability is reduced by salinity problems. The Federal Conservation Reserve Program has been successful in protecting our basic resource - land. However, acreage reduction affects farm related services and businesses as farmers were purchasing less machinery, fertilizers and other production inputs. This has an overall negative impact on the rural economy.

TESTIMONY OF

MICHAEL BAROSSO, PRESIDENT
AMERICAN AGRICULTURE MOVEMENT, OF CALIFORNIA, INC.

Mr. Chairman, members of the committee, it is a pleasure to have this opportunity to visit with you this morning. My name is Michael Barosso. I am president of the American Agriculture Movement of California. I am a third generation rice farmer and while I do not know everything there is to know about rice farming, I have had the opportunity to serve the rice industry in several positions. I served four years on the California Rice Industry Committee which enabled me to see both the strengths and weaknesses of how we interact as rice farmers with the other segments of our economy. One of my concerns about agriculture, is the notion that rural America has mended and that stability has been returned to the American farmer.

We all buy into illusions everyday whether we want to or not. The illusion that rural America has rebounded to wonderful prosperity is a cruel one. With thousands of farmers still being foreclosed on around the country every year and most commodity prices not having made any real meaningful gains, it is hard to see this rural rebounding as anything more than a mirage. There are over four hundred thousand acres of rice planted in California and it is a major contributor to the economy of the central valley. In years past, the rice program operated so as to establish a price which was in balance with costs and allowed rice farmers a fair return on their investments. This was done very simply by balancing supply with demand and weighting the formula so as to prevent the price from either outrunning inflation or dropping too low. Besides providing rice farmers with an adequate income, it also created a stability that translated into dollars for the entire community. Knowing that wild swings in the price were not going to knock them off their feet, enabled farmers and their suppliers to conduct business on a much more efficient basis. Long term commitments were possible as everyone knew what to expect from the rice program.

That is not the case today. Our equipment gets older and older and is not being replaced. That is also the case for the businesses in our towns that service our industry. No one can afford to reinvest in a rice-related operation under the present conditions. Farmers can, perhaps, fool themselves into thinking that they are doing okay, but the absolute bottom line is that this idea of a cheap food policy, which has devastated agriculture, has relegated all of our investments in land, equipment and operating money to the status of non-performing assets. Unfortunately, but quite predictably, that malaise has now spread to our main street businesses in many of our rural communities. Butte County, for example, and Colusa County are the two largest rice producing areas in the State. They account for about one-third of the rice production in California. Butte County is bankrupt. Colusa County is on the verge of going under, also. State mandated programs that do not come with their own funding are part of the problem. Nonetheless, the importance of a healthy rice industry to these communities cannot be stressed enough. Since 1982, land values in these two counties have dropped by 40 percent, and as you might expect, the tax base has eroded, as well.

This is not the kind of data that would be indicative of an economic turnaround for the rice industry. If you do not have a natural gas well on your farm or a healthy bank account that was amassed back in the 1940's, the dollars generated under the current price structure just do not provide for a healthy rice growing operation. As we can now see, this under-pricing of an agriculture commodity will benefit no one except the grain traders and will, ultimately, be to the detriment of the farmers, the taxpayers, the urban merchants and the consumers. This is hardly the recipe for brewing a financial vitality which we so desperately need for the good of the entire nation as well as for the individual.

As farmers, we are not alone in our view of the Food Security Act of 1985. Some time ago, my executive board and I hosted an EEC delegation led by Mr. Con Lucey of Ireland to a breakfast. Can you imagine how it felt to have them point out that the rest of the world thinks that we are the dumbest creatures on the face of the earth because we allow our own government to drop the price of corn to the point that it bankrupts hundreds of thousands of our own farmers. The story was that it was necessary so as to be competitive in the world marketplace. However, since we set the world price for the major grain commodities, as farmers, we need to seriously balk at that price dropping philosophy. The end result was that the government gutted the price on the entire eight billion bushel corn crop in order to export two billion bushels while the taxpayer paid the bill for the deficiency payments on the entire crop which were triggered by the low prices.

The agriculture ministers we talked to, felt that our countries should be discussing supply management and market share and that anything else was irrelevant and irresponsible. The EEC is not the only group which thinks we have taken leave of our senses. We have talked with officials from Zenchu, the Japanese farmer cooperative, on numerous occasions. While we do not necessarily agree with some of their positions, we must admit that their farmers are in a stronger position than are our own farmers. Not long ago, a CEO from one of our rice coops remarked, with obvious disgust in his voice, that he did not feel we would be exporting rice into Japan any time soon because the farmers there control the Parliament. The fact that the farmers there have the financial resources with which to control the Japanese legislative body was appreciated by our farmers but, apparently, not by the CEO making the statement. Given the relative financial health of the EEC farmers and the Japanese farmers and, after their having witnessed the decimation of hundreds of thousands of American farmers, under the provisions of the 1985

Food Security Act, Secretary Yeutter's efforts to sell his ideas on agricultural trade at the GATT talks is like a fox trying to entice the chickens out of the hen house by showing them the bones from his last meal. We applaud the Chairmans' intentions that the farm bill be written in the Congress by elected representatives of the people and not in Geneva by a political appointee.

There can be no shorter or direct way to convey to you what we need than to say that we need a price for what we grow. More complicated programs, low interest loans or higher production are just not the answer under the conditions we face today. If we are to be able to cash flow in this economy with our suppliers telling us we should get more "efficient" while they up the price of their tractors or fertilizers or whatever else every year, we need a price. If we are to be able to comply with the emerging pesticide laws which will affect our production output, we need a price for what we grow. And, if we are to be able to pay our employees a decent wage which enables them to lead more than just lives of meager existence while, at the same time, leaving us a fair return on our investment, WE NEED PARITY.

As demonstrated by the financial performance of the country during the years that the Steagall Amendment was in effect, agriculture, guided by a sound supply management plan, can provide the force to generate prosperity throughout the economy. The best approach, at this point, we believe, would be to raise the loan rate to, at least, 70 percent of parity in a voluntary supply management plan. That would set the floor on the price of rice, for example, while eliminating government exposure on deficiency payments. Growers, wishing to have full production for free floating export markets, would be free to do so. Farmers choosing a supply management plan designed for domestic consumption production and that was operated by the existing ASCS offices would receive a parity price which would cover their costs of production. The existing market enhancement programs would remain intact. We believe that this concept needs to be explored by the committee during the next few months as the framework of the 1990 Farm Bill begins to materialize.

We realize that this is just the barest sketch of an idea but we would like to discuss it further with you. I have been asked to invite each of you to come to California during spring planting for a meal that you will never forget and the chance to talk with the rice growers as they plant the new crop. These are not growers who meet the economies of scale, but rather, the ones who define and set them. They are on the leading edge of rice production and, what they have to say about the need for a fair price, production notwithstanding, should be of great interest to you. We often hear the inference that those demanding a fair price are just poor managers. You will have the chance to see the operations that these people run, talk with them and decide for yourselves who is giving you the most realistic picture of the financial needs of rural America. You should be receiving formal invitations, shortly.

Thank you all for your time and consideration this morning. We look forward to visiting more with you as the Farm Bill debate progresses.

CWA California Women For Agriculture

Chairman de la Garza, and House Agriculture Committee members, I would like to thank you for allowing me to testify on behalf of the California Women for Agriculture organization. Calif. Women for Agriculture is a volunteer organization of over 4500 members, representing virtually every agricultural discipline within our very diverse state. Our members are agricultural producers, wives of producers, allied agricultural industry representatives and probably most importantly; we are consumers!

The issue of FOOD SAFETY is a complex one, so I will limit my comments today to three key elements in the issue: PUBLIC PERCEPTION, AGRICULTURAL AND SCIENTIFIC PERSPECTIVE and finally the most necessary element for the future the RATIONAL PERSUASION OF THE PUBLIC of the health benefits and safety of our nation's fresh food supply.

Current public perception and unfortunately public policy on food safety are being driven by special interest groups, media hype and hysteria, and some consumers and retailers; with none of these groups fully utilizing the vast amount of scientific information available regarding pesticide residues on food. The most recent FDA figures on pesticide residue monitoring in 1988 show 96% of the 18,000 samples contain no illegal residues; and similar results from CDFA with 99% of the 14,500 samples taken in 1988 contain no illegal residues, and 80% of these contain no detectable residues.

There is no scientific evidence to show that human cancer is caused by pesticide residues in food; our food supply is safe, but the public does not perceive this reality! Government and the agricultural community must work together, utilizing the latest scientific data to restore public confidence in our food supply. We can not allow emotion and hysteria to be promulgated by special interest groups, whose real goal is disruption of public confidence, rather than for public good; as in the recent ALAR incident. We must base our public policy decisions on valid science, and reasonable regulation; not on emotionally charged knee-jerk reactions.

U.S. Agriculture provides our citizens with the most abundant, reasonably priced, nutritious, and sarest food supply anywhere in the world. The needless hype of the food safety issue is already affecting the nation's ability to function in the global economy. Countries like Japan are putting special restrictions on our agricultural products, by commodity as a means of yet another trade restriction; and the potential duty free access, through GSP, of less regulated Mexican produce into California, actually weaken our nation's economic position and reduce the safety of the food supply. And should the 1990 California initiative, the California Environmental Protection Act of 1990 be passed, the food safety debate will impact: overall agricultural production potential, food prices and availability, reduce GSP in Calif., cause job losses, limit geographic and seasonable food supply, effect the health and diet of consumers, and reduce export potential.

The benefits of pesticide use, both economic and health based must remain as part of the equation of setting pesticide policy. We can not move away from science, nor be too quick to change some of the regulatory safeguards inherent in the product registration and product cancellation procedures, in an effort to streamline the process. Federal standardization of pesticide residues, tolerance and laboratory testing for these residues is necessary; but this must incorporate the best available data, and should take into effect the leadership of states such as California; where pesticide regulation is indisputably highly advanced and progressive.

Therefore, California Women for Agriculture urges your committee to be realistic, and rational in your approach; utilize the best available science and work closely with our agricultural industry in your policy setting decisions regarding these issues of food safety in the 1990 Farm Bill. Thank you for your time and attention.

Sharan Lanini, California Women for Agriculture
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TESTIMONY OF THE WESTERN GROWERS ASSOCIATION
BEFORE THE
U. S. HOUSE COMMITTEE ON AGRICULTURE
NOVEMBER 4, 1989
FRESNO, CALIFORNIA

Introduction

Mr. Chairman and members of the committee, my name is David Moore. I am president of the Western Growers Association. The Western Growers Association represents more than 1300 growers and shippers of fresh fruits and vegetables in the western United States and produces about half of the fresh produce produced in this country.

We are honored to be here today to represent our views on the upcoming farm bill.

Uruguay Round

Agriculture production takes place on a global scale and in the context of a global marketplace. Consequently, no discussion of the farm bill can take place without putting it in the framework of the current Uruguay Round GATT negotiations.

While fresh fruit and vegetables do not participate in farm programs, our products are affected by the program commodities. For example, it is commonly known that, in any future U. S.-Mexico trade agreement, fresh fruits and vegetables will be imported from Mexico in exchange for shipping grain to Mexico. This is known as a sectorial agreement.

At the beginning of the Uruguay Round, the United States announced that its goal in the negotiations was to totally remove all government trade distorting policies that affected agriculture. This was to include internal subsidies, export subsidies, border measures, phytosanitary regulations, or any other barrier to free trade in agriculture.

At the mid-term review, the United States rephrased its goal as one of "substantial, progressive reduction". However, U. S. officials adamantly declared that the ultimate goal was the same -- to do away with all government policies that distort or hinder free trade in agriculture. To help accomplish this goal the U. S. suggested the process of "tariffication", i.e., the turning of all non-tariff barriers into a set tariff bound within the GATT.

While being fully supportive of the U. S. position in theory, we are concerned about the course of U. S. trade relations in reality. California and Arizona's fresh fruits and vegetables have weathered three recent trade agreements: the U. S.-Israeli Free Trade Agreement, the Caribbean Basis Initiative; and the U.S.-Canada Free Trade Agreement.

In the first two, specialty crops essentially saw their tariffs removed with no corresponding benefits. Instead, the tariffs were traded away in the interest of sealing trade agreements that have less to do with good economics than with so-called "geo-political" considerations.

We support the concept of fair trade. We do not receive any trade distorting subsidies, nor do we have any unfair border restrictions, phytosanitary measures, or tariffs to inhibit the flow of fresh produce into this country.

However, we have yet to see any benefits from the U. S. free trade policy. The benefits are simply not being reciprocated. We make the concessions, but we receive nothing in return. It seems we give in anticipation of a concession, but that approach has not worked. We have at that point given up our trading chip.

Where is the reciprocity? Obviously, there has been very little from our trading partners.

Let me give you an example. Since 1975, table grape imports have increased from one million boxes annually to 32 million boxes in 1988. These imports give our consumers a year-round selection of fresh grapes. However, in the same time period, U. S. table grape exports have increased by only six million boxes. The lack of exports is not because we are not marketing abroad, but because in previous GATT rounds we have received no reciprocal trade advantages.

During our recent annual meeting, our membership resolved to support the U. S. strategy in the Uruguay Round to eliminate all trade distorting subsidies and other measures that affect trade. However, the WGA also voted to oppose the pursuit of bilateral agreements, with countries such as Mexico, where the United States trades away existing tariffs for fruit and vegetable commodities in exchange for concessions in other economic sectors, and weaken our country's strategy in the Uruguay Round.

We urge you to keep this in mind when examining the 1990 farm bill.

U. S. Mexican Free Trade Agreement

This brings me to our second concern -- the recently announced U. S.-Mexican Trade Accords and the confusing signals emanating from the Bush Administration on the future course, goals and purpose of U. S. trade relations with Mexico.

During the Reagan Administration, the agriculture community was repeatedly told that there were no plans for a free trade agreement between the United States and Mexico. This position was apparently reaffirmed in the agreement signed by U. S. Ambassador Carla Hills and her Mexican counterpart. The agreement specifically stated that it was not a free trade agreement.

However, in recent congressional testimony by Commerce Secretary Robert Mosbacher, he predicted the United States and Mexico would eventually negotiate a free trade agreement similar to the U. S.-Canadian Free Trade Agreement.

These confusing signals from the administration create a high degree of uncertainty in the California and Arizona agricultural community and prevent us from making even the most fundamental economic assumptions about the next five years. We urge the Administration to end this confusion by issuing a detailed proposal report concerning its trade intentions with Mexico. This report should then be thoroughly reviewed by the private sector advisory groups.

It is important to realize how very little we know about the Mexican agriculture sector, both in terms of the subsidies they receive and their productive capacity. Likewise, we know very little about their use of agricultural chemicals and how their usage dovetails with U. S. regulations.

For these reasons, we urge that no new initiatives, either through an accelerated Uruguay Round plan or by using the GSP program, be established for Mexico. Instead, we urge the Administration to roll any benefits intended for Mexico into the overall Uruguay Round conclusion. This will maintain a strong U. S. position in the GATT Round negotiations.

Triple Base

We are concerned about possible provisions such as the "triple base option." It is not fair for fruits and vegetables that have no safety net to be subject to competition from acreage that formerly grew program commodities. We recognize the intention of the triple-base supporters in correcting certain problems with this program. However, a much more reasonable solution is to let the problem be resolved in the course of the phase-in period of the Uruguay Round decisions.

Organic Produce

The WGA membership are pioneers in organic farming practices. Each year there is an increase in the fresh fruit and vegetable production raised through organic practices.

I urge this committee that when adopting proposals in the farm bill they assure consumers that non-organic produce is a wholesome product. The United States has the strictest pesticide laws and the safest food supply in the world. The scientific evidence shows that fresh fruits and vegetables can be consumed without fear.

TEA Program

We urge you to retain the Targeted Export Assistance Program. As I mentioned earlier, the fresh fruit and vegetable industry receives no subsidies, has few or no tariffs, and benefits from no government programs. Consequently, the TEA program has been invaluable in helping to offset the extensive programs many foreign nations maintain to subsidize their growers' production. Without this program, many U. S. commodities would have found themselves unable to compete in foreign markets.

TESTIMONY OF

STEVEN BECKLEY

CALIFORNIA FERTILIZER ASSOCIATION
1700 I Street, Suite 130
Sacramento, CA 95814

BEFORE

HOUSE COMMITTEE ON AGRICULTURE

NOVEMBER 4, 1989

Mr. Chairman, members of the committee, my name is Steven R. Beckley, General Manager of the California Fertilizer Association (CFA). CFA is a trade organization representing the manufacturers, distributors and retailers of fertilizer in California. CFA is a member of The Fertilizer Institute in Washington, D. C.

CFA appreciates this opportunity to provide input on issues we feel should be considered in the 1990 Farm Bill. We also appreciate your bringing this hearing to California.

California's agriculture is dynamic, diversified, and year-round business. It is one of many crops produced for both domestic and international consumption. The California fertilizer industry relies on an economically healthy farm community that thrives on market driven policy. The 1990 Farm Bill should minimize acreage reduction programs. The Bill should build on the trade enhancement successes created in the 1985 Farm Bill. The goal should be to assure the United States' position as a long-term supplier of farm products into world markets. A strong export promotion and market expansion program must be continued to allow our farmers to have access to needed markets.

Through an aggressive export marketing program, our farmers can maximize their efficiency which makes them cost competitive with any farmer in the world and benefits consumers here and abroad.

One of the biggest challenges facing agriculture today is responding to groundwater contamination by agriculture. The CFA has taken a lead in this area and is working with the California Department of Food and Agriculture in developing a nitrate and agriculture program. This program will identify local areas in which agriculture has impacted the nitrate level in the groundwater and will respond with education, research, and the adoption of best management programs. Hopefully, this program will be started in the beginning of 1990.

The 1990 Farm Bill is seen by many as the place where agriculture must take initiative in dealing with the groundwater situation. Much has been done, including programs in the 1985 Farm Bill such as the CRP and the requirement for a conservation plan by 1990. But more can be done.

The fertilizer industry believes through research, increased farmer education, public information, and the adoption of agronomic Best Management Practices (BMPs) many of our water quality problems with nitrogen can be prevented from the start. These items should be the basis for a groundwater protection program for the use of fertilizer.

The adoption of BMPs, plus maximum flexibility within government programs, will give farmers the opportunity to develop farming systems that maximize production efficiency and environmental protection. California farmers take pride in providing crops of the highest quality and many receive payment based on quality. Proper fertilization is a key to quality in most cases. Improper amounts, both too much and too little, and improper timing of application can be detrimental to a crop's quality. These farmers are using BMPs to provide consumers with the products they demand. It should be noted that these are the same Best Management Practices now being touted by low-input advocates as being new ideas. In reality, agricultural scientists for decades have been investigating these and many other farming methods which reduce pollution, increase yields and quality, and improve farmer profits. The 1990 Farm Bill should provide for more research and practical guidance on BMPs. This is tha key to a viable program, not regulations. Funding is critical to this effort. Both research and education efforts must be adequately funded in order that we can continue to develop new technology to produce food at the lowest unit cost with the least environmental risk.

In conclusion, Mr. Chairman, I would like to add that California's and this nation's farmers provide the safest, cheapest, and most abundant food supply in the world. Our industry is proud to provide them the inputs to accomplish this. Groundwater policy developed in the 1990 Farm Bill should be based on fact and solid scientific research, not media hype and special interest misinformation. By working together in developing a program based on research and education, the farmer can continue to produce the needed food supply.

Again, thank you Mr. Chairman and members of the committee for your invitation to be with you today. I would be pleased to respond to any questions you or other members might have at the appropriate time.

BOB L. VICE
PRESIDENT
CALIFORNIA FARM BUREAU FEDERATION

MR. CHAIRMAN, MY NAME IS BOB VICE. I AM A FARMER AND PRESIDENT OF THE CALIFORNIA FARM BUREAU FEDERATION. OUR 53 COUNTY FARM BUREAUS, WHICH ARE COMPRISED OF ALMOST 90,000 MEMBER FAMILIES, MAKE US BY FAR THE LARGEST GENERAL FARM ORGANIZATION IN THE STATE. ON BEHALF OF OUR MEMBERSHIP, I WANT TO THANK YOU FOR THIS OPPORTUNITY TO PRESENT FARM BUREAU'S VIEWS REGARDING FUTURE FARM LEGISLATION.

FARM BUREAU SUPPORTED THE MAJOR CHANGES TO AGRICULTURAL POLICY THAT WERE EMBODIED IN THE FOOD SECURITY ACT OF 1985. THE SETTING OF LOAN RATES FOR PROGRAM COMMODITIES AT A PERCENTAGE OF AN AVERAGE OF MARKET PRICES HAS HELPED THE U.S. REGAIN COMPETITIVENESS IN WORLD MARKETS AND INCREASED DOMESTIC CONSUMPTION OF OUR PRODUCTS. THE COUPLING OF VOLUNTARY ACREAGE REDUCTION PROGRAMS WITH THE AGGRESSIVE USE OF COMMODITY CERTIFICATES HAS PROVEN EFFECTIVE IN REDUCING THE CARRYOVER STOCKS WHICH HAD DEPRESSED COMMODITY PRICES FOR MANY YEARS. SIMPLY PUT, PASSAGE OF THE 1985 FARM BILL STARTED U.S. AGRICULTURE ON THE ROAD TOWARDS INCREASED MARKET-ORIENTATION.

THE NEXT FARM BILL SHOULD CONTINUE THAT TRANSITION AND AUGMENT THE PROGRESS THAT HAS BEEN MADE. MAJOR CHANGES ARE NOT NEEDED, BUT PROVIDING FOR INCREASED PLANTING FLEXIBILITY AND THE PROVING AND UPDATING OF YIELDS WOULD BE TWO IMPROVEMENTS.

THE 1985 FARM BILL SET A PRECEDENT IN THAT CONSERVATION GOALS WERE LINKED WITH THE TRADITIONAL OBJECTIVES OF SUPPORTING COMMODITY PRICES, PROTECTING FARM INCOME AND ENSURING AN ADEQUATE FOOD SUPPLY. THE CONSERVATION GOALS INCLUDED: REDUCING EROSION AND SEDIMENTATION; IMPROVING WATER QUALITY; PREVENTING CONVERSION OF HIGHLY ERODIBLE LAND AND WETLANDS TO CROP PRODUCTION; AND, CREATING BETTER HABITATS FOR FISH AND WILDLIFE. FARM BUREAU SUPPORTED THOSE GOALS, AND WE WILL SUPPORT USING THE NEXT FARM BILL TO CONTINUE THE PROGRESS THAT HAS BEEN MADE.

WE CAUTION, HOWEVER, AGAINST FORGETTING THE NEEDS OF FARMERS, WHO PARTICIPATE IN FARM PROGRAMS BECAUSE THE BENEFITS OUTWEIGH THE BURDENS. IF THE CONSERVATION AND ENVIRONMENTAL PROVISIONS OF THE NEXT FARM BILL REQUIRE EXCESSIVE REGULATORY OVERSIGHT OF FARMING PRACTICES OR IMPOSE UNREALISTIC AND INFLEXIBLE STANDARDS OF PERFORMANCE, THEN FARMERS WILL BE DRIVEN FROM THE PROGRAM. FARMERS AND THE ENVIRONMENT WOULD BOTH SUFFER, AND THE FARM BILL WOULD FAIL TO ACHIEVE ITS OBJECTIVES.

ALSO, WE URGE THAT ENVIRONMENTAL PROVISIONS IN THE NEXT FARM BILL BE BASED ON PRINCIPLES THAT HAVE BEEN PROVEN BY SOUND, SCIENTIFIC RESEARCH. FOR EXAMPLE, DOES LOW INPUT SUSTAINABLE AGRICULTURE, OR "LISA," REALLY OFFER A SAFER, MORE ECONOMICAL AND PROFITABLE WAY OF FARMING? FARMERS HAVE A GENUINE INTEREST IN LEARNING MORE ABOUT IT, BUT MUCH RESEARCH NEEDS TO BE DONE BEFORE WE SHOULD CONSIDER MANDATING IT IN NATIONAL FARM POLICY. AT BEST, MUCH OF WHAT WE CURRENTLY KNOW ABOUT LISA IS ANECDOTAL AND NOT EASILY OR RELIABLY TRANSFERRED. IN THAT REGARD, WE HEARTILY ENDORSE THE NATIONAL ACADEMY OF SCIENCES BOARD ON AGRICULTURE'S PROPOSAL OF A $500 MILLION COMPETITIVE GRANTS PROGRAM WITHIN USDA TO STUDY NEW TECHNOLOGIES.

REGARDING INTERNATIONAL TRADE, FARM BUREAU HAS BEEN ACTIVELY INVOLVED IN THE NEGOTIATIONS PROCEEDING UNDER THE URUGUAY ROUND OF THE GENERAL AGREEMENTS ON TARIFFS AND TRADE. WE STRONGLY SUPPORT THE U.S. POSITION THAT ALL TRADE DISTORTING SUBSIDIES AND MARKET ACCESS BARRIERS SHOULD BE ELIMINATED. AMERICAN FARMERS AND RANCHERS WOULD BE STRONG COMPETITORS IN THE WORLD MARKET IF TRADE WERE OPEN AND FREE; INDEED, THIS IS EXACTLY WHY THE U.S. POSITION IS BEING RESISTED SO STRONGLY BY OTHER GATT MEMBERS.

IN THE MEAN TIME, FOR AS LONG TRADE DISTORTING PRACTICES FOR AGRICULTURAL COMMODITIES REMAIN THROUGHOUT THE WORLD, WE PARTICULARLY SUPPORT THE CONTINUATION OF THE MARKETING LOAN AND THE EXPORT ENHANCEMENT PROGRAM. THESE PROGRAMS HAVE BEEN EFFECTIVE IN RESTORING THE UNITED STATES' SHARE OF WORLD TRADE FOR SEVERAL MAJOR COMMODITIES. IN THE NEXT FARM BILL, THIS SHOULD REMAIN THE MOST IMPORTANT ASPECT OF U.S. AGRICULTURAL POLICY. RENEWED COMMITMENT TOWARDS THE MARKETING LOAN AND THE E.E.P. WILL SERVE AS A POTENT BARGAINING CHIP FOR U.S. NEGOTIATORS TO USE AT THE GATT, AND SHOULD HELP US ACHIEVE OUR ULTIMATE GOAL OF ELIMINATING ALL TRADE DISTORTING SUBSIDIES AND MARKET ACCESS BARRIERS.

WE ARE HOPEFUL THAT A MULTILATERAL PLAN FOR THE REDUCTION OF TRADE DISTORTING SUBSIDIES AND MARKET ACCESS BARRIERS CAN EVENTUALLY BE WORKED OUT. THE TRADE TITLE OF THE NEW FARM BILL SHOULD BE FLEXIBLE ENOUGH TO ACCOMMODATE SUCH A PLAN, SHOULD ONE BE FORTHCOMING. THERE SHOULD BE NO PROVISIONS, HOWEVER, WHICH WOULD REQUIRE THE U.S. TO TAKE UNILATERAL ACTION TO ELIMINATE EXISTING POLICIES.

MR. CHAIRMAN, WE HAVE SUBMITTED ADDITIONAL WRITTEN COMMENTS FOR THE COMMITTEE'S CONSIDERATION. THANK YOU FOR THIS OPPORTUNITY TO EXPRESS OUR VIEWS.

The Committee for
SUSTAINABLE AGRICULTURE
CSA (formerly SCSA), POB 1300, COLFAX, CA 95713 (916)346-2777

11-2-89

To: House Agriculture Committee

RE: Statement for the Fresno, California Hearings November 4, 1989
by the Committee for Sustainable Agriculture

From: Otis Wollan, Executive Director

CSA is grateful to the Committee for this opportunity to submit this written testimony on the 1990 Farm Bill. On behalf of the Executive Board of CSA, I submit the following testimony:

*a statement by the Executive Committee approved 11-1-89
*a statement submitted to the Executive Board by the Legislative Subcommittee of the CSA Board approved 11-1-89
*support documents.

CSA's recommendations to the House Agriculture Committee for consideration in the 1990 Farm Bill are primarily concerned with the need for research, and the redirection of existing research programs. Fundamentally, the needed research is in biological methods of farm management. Biological management needs to be studied on-farm with a whole systems view or approach. Component research, usually based at University lab or test plot, has been typical of federally sponsored research. On-farm, whole system research, monitoring existing examples of biologically managed farm systems, will yield the most needed information.

Farmers have taken the lead in biological agriculture. It is now time to recognize their leadership, and redirect funds to encourage the study of the fruits of their innovative labor. In addition, research money should be made available to more than just university researchers. Farmers, and innovators of biological control methods need not be related to the university systems to produce useful and viable information.

The Federal approach to Organic certification should similarly be to seek the counsel of existing farmer-based certification organizations to help craft the law. The existing retail and wholesale organic network should likewise be consulted.

Federal research should include as a criterion the bottomline profitability of a farmer. Whole systems research of biological systems should favor those projects with internalized inputs and minimized need for outside purchased inputs.

It is for the above reason that CSA is skeptical of research money for biotechnological solutions to farm problems. Biotechnology almost always implies an off-farm purchased input. Profitability tends to go to the company than produced the product, not the farmer. An example: a research project that uses biological means to control a pest problem, such as introduction of predatory insects, should be preferred to the genetic manipulation of a plant to breed in resistance to the insect pest. The naturally evolved biological control will tend to be sustainable, and does not require the farmer to continually purchase outside inputs.

CSA would like to see the availability of biological controls increased. The time frames for biological controls should be accelerated to help speed the natural controls into the marketplace. CSA feels there is a distinction between biological and chemical controls in their hazardous potential.

CSA would like to see changes in base acreage allotments to allow legumes as an alternative crop.

And lastly, the Executive Committee feels that a USDA research budget for "alternative" and "sustainable" agriculture of $4.5 million is just not enough money. If we are to successfully make the transition to a low input, sustainable agriculture, information about biologically based systems will be the most important commodity.

The statement from our Legislative Subcommittee follows:

Glen Anderson

The Committee for Sustainable Agriculture appreciates this opportunity to address the House Agricultural Committee on the 1990 Farm Bill. The Committee for Sustainable Agricultures is a private non-profit organization established in 1982 to promote sustainable food production systems and to facilitate an increase in the number of growers using sustainable practices and consumers purchasing organically grown food.

There are many important aspects of the Farm Bill that must be considered in light of national policy to promote sustainable agriculture. It is not enough to lead the world in agricultural productivity and efficiency. Now the U.S. must begin to take the lead in developing and encouraging environmentally sound agriculture. CSA encourages programs which move in this direction, such as flexibility in the base acreages which until now have encouraged monocropping and overproduction of certain crops. CSA supports the strengthening of the present resource conservation programs such as such as the Conservation Reserve Program, and the Swampbuster, Sodbuster and Conservation Compliance Programs. We also encourage the expansion and strengthening of food safety measures.

Today, however, we will focus our remarks on issues of primary importance to many California producers -- research, extension and marketing.

We would like to begin by asking the Committee members a few questions. What would you do if you were a full time farmer, with 20 or 2000 acres and suddenly you were forced to farm under the following conditions:

There is no Cooperative Extension advisor to ask what to do about the invasion of coddling moths in your apple orchard.
There is no land grant university conducting research on the best ways to get nutrients to your crops or developing new varieties of more hardy crops with improved yields.
You can no longer get help from the large chemical companies to advise you on the best fertilizers and pest control products .
The large farm machinery companies are not making farm machinery that can be used on your crops.
You have no knowledge of the pricing structure for you crops because there is no Market New Service reporting wholesale and shipping point prices and volumes.

You have no idea about the total supply of your crop because there is no National Agricultural Statistics Service reporting acreage and production figures.
You are not even sure which states that you can sell your crops in because states have different quality standards.

This scenario would be an economic nightmare for most farmers. Yet this is the present situation of organic producers and other farmers who are attempting to implement the principles of low input sustainable agriculture.

Few Cooperative Extension farm advisors have a solid background in the principles of sustainable agriculture. Little research at USDA or the land grant universities is being conducted to document and understand the scientific and economic principles of sustainable agriculture. Market New Service does not report prices or volumes for organic products and National Agricultural Statistics Service does not report acreage and production figures for organic crops. There is no national definition or certification program for organic crops.

Organic farmers and those using other sustainable agricultural methods are protecting the environment and answering the demands of consumers. Even before the Alar controversy of last spring, 84 percent of consumers said (in a Lou Harris poll) that they would buy organic produce if they could find it and 49 percent said that they would pay more for organic products. After the Alar controversy, consumers paid 20 to 50 percent more for organic products and paid up to 500 percent more than previous prices for organic apples.

Yet organic producers have had to set and police their own standards, conduct their own research and develop their own markets. With the help of non-profits such as CSA, they are sharing their findings and learning about market conditions and pricing. These pioneer farmers have beaten the odds and groups such as CSA and California Certified Organic Farmers (CCOF) have helped them with efficient use of minimal resources.

The development of organic and sustainable agriculture has been carried out on a relatively small scale by individual farmers (with both small and very large farms), non-profit support groups, such as CSA and small amounts of money from private foundations (approximately $5 millions annually), the Low Input Sustainable

Agriculture Program of USDA ($4.45 million in FY89) and state programs such as the University of California Sustainable Agriculture Research and Extension Program ($.96 million in FY89). These budgetary resources have been miniscule when compared to the $1 billion federal agricultural research budget which supports the conventional farming system.

But these efforts are insufficient to support the exponential growth in the needs of farmers to meet consumer demands for organically grown food and food produced with reduced pesticide use. Farmers are looking for help in developing sustainable production practices and reducing chemical applications.

The federal government can no longer afford to ignore this important new phase in agriculture. There must be a legislative mandate to incorporate the principles of sustainable and organic agriculture in all phases of agricultural research, extension and marketing programs.

But even more important is the process by which the federal government enters this arena. It is essential that USDA work with the farmers and others that have been the pioneers and build on what has been accomplished so far. To do anything else would waste valuable time and taxpayers' money.

The **goal should be for sustainable agricultural concepts to be incorporated throughout all divisions of USDA research, extension, economic research and marketing programs.** To achieve this goal Congress must mandate and fund specific sustainable agricultural projects in each area. Sustainable agricultural can no longer be limited to a separate, small LISA program.

To reach this goal in an efficient manner, Congress must mandate a process whereby USDA works with farmers, non-profits and state programs that have already acquired expertise in sustainable agriculture.

Two principles that must guide the process are:

1. **Involve farmers, and support groups in program planning and decision making.** As sustainable agricultural programs are developed within USDA, program planners must utilize the expertise

and knowledge of farmers and non-profit support groups. It is essential to have this input in order to avoid duplication of previous efforts and to develop the research, extension and marketing programs that are needed the most.

2. Build on existing expertise through grants and joint research projects with farmers and non-profit organizations. The majority of sustainable and organic production techniques have been developed by individual farmers on their farms. To avoid reinventing the wheel, new research efforts should document and build on the knowledge farmers have developed from their on-farm experiments. Non-profit support groups such as CSA have worked with farmers and laid the basis for extension and marketing services in organic and sustainable agriculture. Support groups have developed efficient, self-supporting methods of assisting farmers. These activities must be encouraged and expanded through the competitive grant process and joint research, extension and marketing services.

Recommendations: Specific Research, Extension, Marketing and Transition Activities

1. Research: Special grants and competitive awards by the Cooperative State Research Service should be made to on-farm research with farmers in low input systems. Grants and awards for scientific and economic research should be open to private industry and non-profit organizations with research capacity. Low input sustainable practices should be a consideration in all awards made.

An example of the effectiveness of such awards will be presented by Glenn Anderson, a farmer and CSA Board member who challenged conventional wisdom in almond production and managed all pest, weed, and fertilization problems with the organic methods of introducing predatory wasps, mowing and mulching, and the use of a "green manure" cover crop.

While Glenn Anderson's almond production is lower than the California average, his profit per acre is higher due to lower outside inputs. His crop is sold through Blue Diamond and is premium quality.Insect damage on Glenn's almond crop was significantly less than farms that use chemical pesticides, according to the LISA study.

2. Extension: Currently, most Cooperative Extension programs are limited to the transfer of information from "university experts" to farmers. However, farmers and experts in private industry have pioneered a large portion of research in low input sustainable agriculture. Their expertise should be used by Cooperative Extension programs to share relevant information with other farmers who want to learn low input production techniques. A few ways in which this can be done are (a) setting aside a portion of the Cooperative Extension budget to fund on-farm research on low input sustainable farming techniques, (b) working with growers and organizations such as CSA to conduct Transition Conferences where farmers can learn methods to reduce inputs and market their crops.

CSA has sponsored three Transition Conferences at which farmers have learned about marketing strategies, reduced pesticide use, organic matter management, biological pest management synthetic fertilizers and minimal tillage. The "teachers" were other farmers, experts in private industry and some university specialists. Technical expertise was offered for farmers in fruit crops, nut crops, grains and field crops, and vegetable and speciality crops.

The last conference, held in Chico, California attracted 110 farmers whose fees covered the modest $2885 expenses of putting on the conference. CSA will sponsor four more conference in the coming year with a modest grant form the LISA program of $800 per conference to cover the costs of producing videotape recordings of the conference.

3. Marketing and Market Research: Federal support is urgently needed to increase stability in the volatile organic food market. Organic products are a separate subset within each crop and their production, prices and volumes traded must be reported as a separate market from conventional products. The first step towards establishing stability in this market is to report prices and volumes, acreage and production of organic crops. Without this information, which has been available for conventional growers since the early part of this century, the organic market is chaotic. Growers and retailers need to know market prices and estimates of supply.

The Market News Service should begin to phase in reporting of prices and volumes of organic products at wholesale markets and shipping points. In order to do this most efficiently, Market News should work with organic farmers and the present private organic market information services such as the Organic Market News and Information Service (OMNIS) of CSA to determine the most important crops and markets to monitor. The National Agricultural Statistics Service (NASS) should phase in collection and reporting of acreage and production of organic crops. Designers of the program should work with farmers and groups like OMNIS to identify the most important crops and regions to monitor.

The Organic Market News and Information Service, OMNIS, is a service of CSA which reports wholesale and retail prices of more than 130 organic fruits, vegetables, nuts and herbs each week. OMNIS is in its fifth year of production and has become self-supporting. The current OMNIS budget is approximately $20,000 each year for about 250 subscribers across the country. OMNIS is the only weekly source of information on organic fruit and vegetable prices.

Competitive grants should be used to encourage creative approaches to the unique problems of marketing organic produce. Growers and retailers need to be linked, since new players are constantly coming into the field and there is little information available on the suppliers and buyers or organic produce. Seed money and low interest loans are needed to develop new marketing structures such as cooperative warehousing and local trucking services which can combine relatively small lots of produce for retailers. Prototypes of such programs have been established by the Texas Department of Agriculture and by the Ozark Organic Growers Association.

4. Low Interest Loans: In order to be sustainable, agriculture practices must be economically self-sustaining. Most growers using low input and organic production techniques do not want to develop dependency on government support programs. To make the transition to low input practices, however, growers must face the possible initial costs of reduced yields. To encourage the adoption of low input practices, therefore, USDA should provide low-interest short term loans to farmers who are reducing their use of synthetic chemical and fertilizers.

We have welcomed the opportunity to present these issues before this Committee and we hope to offer further assistance in developing efficient and workable means of adopting low input sustainable agricultural techniques into U.S. agriculture.

(Attachments follow:)

Farming With a Future:
Making and Marketing the Transition to Low or Non-Chemical Agriculture

A workshop on strategies to improve farming profits while reducing or eliminating agrichemicals.

Saturday, February 11, 1989

Chico State University
Bell Memorial Union, Room 108
Chico, California

Register Now
Space is Limited to 200

Learn---

- *How to reduce fertilizer and pesticide costs and hazards*
- *How to improve the quality of your crops*
- *About the huge demand for clean food*
- *How to Market Crops to this Specialty Market*
- *How to make more money, while helping the environment*

See--

- *Techniques you can use*
- *Successful operations farming without chemicals*
- *Products that meet the demand for clean food*

Meet--

- *Farmers who have reduced their chemical inputs and expanded their markets*
- *Researchers and advisors who can help you make the transition to low input farming*
- *Buyers for your crops who want clean food*
- *Representatives from many organizations working to help you.*

Farm Field Trip - Sunday, February 12

This is a special driving tour of local farms who are using Sustainable Agricultural techniques. Here you have a chance to see how to make it work. The tour will visit nut orchards, kiwis, grains, and vegetable growers. This farm tour will be available to conference attendees only. There is no additional charge. A map of the tour will be given to you at workshops on Saturday. The tour will be from 8:30 AM until 1:00 PM Sunday, February 12. Weather Permitting.

CSA
POBox 1300
Colfax, CA 95713

Conference Agenda

7:30-8:30 AM Late Registration (If still available, see note below)

8:30 Introductions and Welcome

Otis Wolian, Committee for Sustainable Agriculture, Colfax

8:40 Welcoming Address

Dennis Hefner, Dean of College of Agriculture
California State University, Chico

8:50 What is Sustainable Agriculture?

Bill Liebhardt, Director UC Sustainable Agriculture Research and Education Program, Davis

9:05 The Role of Government in the Support of Sustainable Agriculture

Speaker to be announced

9:20 Meet Some Organizations that Help you towards Sustainable Agriculture

Representatives describe how their organization can help you and agriculture:
The Committee for Sustainable Agriculture, California Certified Organic Farmers,
California Assn. of Family Farmers, California Action Network,
CDFA Direct Marketing Program, The Bio-Dynamic Association,
American Farmland Trust, The Organic Marketing News & Information Service (OMNIS),
UC Sustainable Ag Program, UC Division of Biological Control,
UC Integrated Pest Management Program, UC Small Farm Center

10:25 Break

10:45 Marketing Strategies for the 90's

Representatives from many sectors of the organic and sustainable food marketing system will detail the state of the industry, their forecasts for the future, and their needs for crops produced with clean farming practices. There will be time for questions and answers.

Growers-

Mila Johansen, Johansen Ranch, Orland
another grower to be announced

Retailers-

Lou Compagno, Produce Manager, Chico Natural Foods, Chico
Speaker from Raley's Supermarkets, Sacramento, to be announced

Wholesalers-

Michael Funk, Owner, Mountain Peoples Warehouse, Nevada City
Chris Harder, Buyer, Yocal Produce Cooperative, Woodland

Manufacturers--

Stan Keena, Director of Sales, Heinke's Juice, Paradise
Bryce Lundberg, Lundberg Family Farms, Richvale

12:00 Lunch

Box Lunch (Deli Sandwhich, Salad, Fruit Garnish, Cookies, and Soda)
Available only to people who have registered at least 5 days in advance of workshops, prepaid.
Or, do lunch on your own

1:00 PM Afternoon Sessions - Choose One Session

A. FRUIT CROPS

1:00 IPM Strategies for Reducing Pesticides in Stone Fruits

Craig Weekly, Farm Advisor Sutter & Yuba Co., Yuba City

1:30 Organic Matter Management

How to use compost, manures and cover crops.
Bob Cantisano, Peaceful Valley Farm Supply, Nevada City

2:00 Pheromone Mating Disruption of Codling Moth in Pears and Apples

Phillip Kirsch, Bio-Control Ltd., Davis

2:30 How to Select and Use Cover Crops in the Fruit Orchard– Benefits and Risks
Fred Thomas, Ramsey Seed Co., Richvale

3:00 Break

3:15 The Growers Perspective
These farmers will present practical ideas on how and why they have moved towards low or no chemical farming:

Peaches - Carl Rosato, Woodleaf Farm, Oroville
Prunes - Reed Johnson, Johnson Family Farms, Gridley
Figs, Persimmons, & Stone Fruit - Zea Sonnabend, Circle I Farm, Los Molinos
Kiwi - Lizbeth Harter, Cherokee Ranch, Chico
Citrus - Rich Johansen, Johansen Ranch, Orland

B. NUT CROPS

1:00 How to Select and Use Cover Crops in the Nut Orchard - Benefits and Risks
Fred Thomas, Ramsey Seed Co., Richvale

1:30 IPM Strategies to reduce Pesticide Use in Walnuts
Pat Marer, Pesticide Training Coordinator, UC IPM Project, Davis

2:00 How to Reduce Pesticides in Almonds Using IPM Techniques
Frank Zalom, Director of UC IPM Project, Davis

2:30 Organic Matter Management
How to Use Compost, Cover Crops, and Manures to Improve your Soil
Bob Cantisano, Peaceful Valley Farm Supply, Nevada City

3:00 Break

3:15 The Growers Perspective
These farmers will present practical ideas on how and why they have moved towards low or no chemical farming methods.

Almonds - Dave Schell, Schell Farms, Chico
Almonds - John Ceteras, Blue Heron Farm, Rumsey
Walnuts & Pistachios - Bill Crepps, Everything Under the Sun, Winters
Walnuts - grower to be announced
Pecans - grower to be announced

C. GRAINS AND FIELD CROPS

1:00 Techniques for Reducing Fertilizer Inputs on Field Crops
Bill Liebhardt, UC Sustainable Ag Program, Davis

1:30 Using No Till Drills and Minimum Tillage Systems
Speaker to be announced

2:00 Strategies for reducing Chemical Useage in Rice
Jack Williams, Farm Advisor, Sutter-Yuba Counties, Yuba City

2:30 Organic Matter Management
How to use Cover Crops, Composts, and Manures
Panel - Ed Sills, Pleasant Grove Farms, Pleasant Grove
Gordon Brewster, Lundberg Farms, Richvale
Allan Garcia, Garcia Family Farms, Willows

3:00 Break

:15 The Growers Perspective
Details on how these farmers have made the transition to low or no chemical agriculture.

Rice - Gordon Brewster, Lundberg Farms, Richvale
Rice - Brian Leahy, Harter-Leahy Farms, Chico
Corn & Popcorn - Ed Sills, Pleasant Grove Farm, Pleasant Grove

continued next page

Corn & Grains - Allan Garcia, Garcia Family Farms, Willows
Cannery Tomatoes - Grower to be announced
Beans & Potatoes - Grower to be announced

D. VEGETABLES & SPECIALTY CROPS

1:00 Selecting Varieties & Strategies for Growing Specialty Vegetable Crops
Charlotte Glenn, Le Marche Seed Co., Dixon

1:30 Greenhouse Propagation, Season Extenders, Row Covers, and other Strategies for Hitting the Early or Late Market
Speaker to be announced

2:00 Organic Matter Management
How to Use Cover Crops, compost and Manures to build your soil quality
Bob Cantisano, Peaceful Valley Farm Supply, Nevada City

2:30 Pest Management Without Chemical Pesticides
Speaker to be announced

3:00 Break

3:15 The Growers Perspective
Practical ideas on how and why these farmers have moved towards low or no chemical farming.
Vegetables - Paul Muller, Full Belly Farms, Guinda
Specialty Crops - Dru Rivers, Full Belly Farms, Guinda
Vegetables - Bob Clark, Rancho Sandia, Chico
Berries - Grower to be announced
Flowers - Marguerite Pierce, Pierce Produce, Orleans

Registration Form

Cost: $30 ____
CCOF or CSA members, $25 ____
Limited Space - Enroll before the workshop or you may not get in
Saturday Box Lunch, $6.00 including beverage (circle meat or vegetarian) ____
Lunch reservations must be received before Monday, Feb. 6 TOTAL ____ TOTAL
Make checks payable to CSA, POB 1300, Colfax, CA 95713
Name____________________
Farm/Firm____________________
Address____________________
City, State, Zip____________________
Phone____________________
Occupation____________________
Acreage farmed____________________
Crops____________________

For further information or to reserve space by phone
Committee for Sustainable Agriculture (CSA)
POB 1300, Colfax, CA 95713 (916)346-2777

Conference Co-Sponsors:
California State University Chico, Ornamental Horticulture Club
California Certified Organic Farmers
Committee for Sustainable Agriculture
UC Sustainable Agriculture Research & Education Program

ORGANIC WHOLESALE MARKET REPORT

Organic Market News and Information Service

Latest available information, as of day of publication, from verbal reports by selected distributors of organic produce. OMNIS does not verify the information except to ensure that we report what is told to us. Unless noted otherwise, reported produce is California-grown and of generally good quality and condition, and includes produce certified to be organic (by CCOF and others) and other produce that is claimed to be organic.

Volume 5 Number 28

Number of distributors reporting this week: 8
(names of distributors listed at end of crop list)

Friday, July 21, 1989

CROP/VARIETY	DESCRIPTION	COUNT	WEIGHT	NO.	PAID TO GRWR		SOLD TO RETAIL		AMT	OUT	U	D	LA TERMINAL	
BERRIES:														
blueberries	flat of pints			1	22.75s	22.75s			100				12.00	14.00
strawberries	flat of pints			1	13.00	13.00	15.89s	15.89s	7				4.00	6.00
CITRUS:														
grapefruit,ruby	packed carton	32- 40	35	1	12.50sb	12.50sb	16.95s	16.95s	18				9.50	12.00
grapefruit,ruby	packed carton	27	35	1	11.50s	11.50s			12				9.00	10.00
grapefruit,ruby	packed carton	36	35	1	11.50s	11.50s			8					
grapefruit,ruby	packed carton	35- 45		1	10.50s	10.50s			9					
grapefruit,pink	packed carton	48	35	1	15.30s	15.30s			33					
grapefruit,pink	packed carton	56	35	1	11.30s	11.30s			86					
grapefruit,pink	packed carton	72	35	1	8.30s	8.30s			16					
lemons	packed carton	95-165	38	4	16.00s	31.60s	37.95s	38.00s	86				27.00	27.50
lemons	packed carton	56- 63	38	1	16.00s	20.00s			23					
lemons	packed carton	115	38	1	16.00s	16.00s			6				27.00	27.50
lemons	packed carton	140	38	1	16.00s	16.00s			7				19.00	19.50
lemons	packed carton			1	21.60s	21.60s			45					
lime	vol-filled ctn		38	1	39.00s	39.00s			10				10.00	11.00
lime,yellow	vol-filled ctn		38	1	26.60s	26.60s			6					
oranges:														
Navel	row-pack carton	88	38	1	14.00s	14.00s			8					
Navel	row-pack carton	113	38	1	14.00s	14.00s			8					
Valencia	row-pack carton	56	38	2	11.29s	13.40s			92					
Valencia	row-pack carton	72- 88	38	2	13.87s	14.00sb	17.95s	17.95s	108				19.50	21.00
Valencia	row-pack carton	88	38	4	10.00s	16.60s	18.75s	18.75s	156				16.50	17.00
Valencia	row-pack carton	113	38	3	10.54s	13.64s	16.40s	16.40s	76				10.00	10.50
Valencia,no size breakdown, carton		138	38	4	9.29s	13.40s	14.00s	15.95s	155				6.75	7.25
FRUITS:														
apples:														
Anna	loose pack carton			1	31.75s	31.75s			3					
Gravenstein,grn,lse,2-1/2 - 2-3/4" min.			1	1			0.70s	0.70s	195					
Gravenstein,loose, 2-5/8" min.			20	1	11.00	11.00	13.92s	13.92s	13					
Red Delicious,loose, 3" min.			38	2	24.00sb	25.25s	29.95s	29.95s	69					
Summer Rose	tray pack	125		1	31.00s	31.00s			28					
avocado,Hass	2-layer tray pack	30- 35	25	1	13.00s	15.00s			10				28.00	30.00
avocado,Hass	2-layer tray pack	40- 48	25	1	36.00s	36.00s			15				28.00	30.00
avocado,Hass	2-layer tray pack	60	25	1	34.00s	34.00s			32				24.00	27.00
grapes,Champagne	lug, loose or wrpd		20	1	21.85s	21.85s			60					
grapes,Exotic	lug,loose or poly wrpd		20	1	21.85s	21.85s			30				12.00	16.00
grapes,Flame	lug,loose or poly wrpd		20- 22	7	17.00s	24.79s	22.80s	23.75s	506				10.50	14.50
grapes,Thomp sdls	lug,loose or poly wrpd.		21- 22	6	17.00s	21.85s	23.50s	27.99s	395		1	0	12.00	14.00
kiwi	2-layer tray pack	39		1	10.00s	10.00s			180				8.00	8.00
mango	carton	14	10	3	10.00sb	10.25s	13.00s	13.00s	31	65%				
nectarine	lug	50- 70		2	19.00s	19.85s			183				10.00	13.00
nectarine	lug	60- 80	18	6	18.00s	24.00sb	24.60s	31.00s	221				8.00	12.00
nectarine	lug	80	20	2	19.00s	19.50sb	23.50s	23.50s	62				7.00	8.50
peach,yellow flesh	2-layer tray pack	48- 60	18	4	16.00s	20.00s	19.95s	23.61s	379		1	0	8.00	12.00
peach,yellow flesh	2-layer tray pack	60- 64	25	2	18.00sb	18.00sb	21.62s	22.50s	61				7.00	8.00
peach,yellow flesh	2-layer tray pack	70		1	16.50	16.50	21.00s	21.00s	33				6.00	7.00
peach,yellow flesh	1-layer tray pack	30- 35		1	6.50s	7.00s			71					
pears, other varieties carton		20		1	13.70	13.70	18.15s	18.15s	15					
plum,LaRoda	lug			2	18.00s	22.25s			240					
plum,Friar, 4x4	lug			3	18.40s	18.50s			120					
plum,Santa Rosa	lug			1	10.00s	12.00s			25				6.00	8.00
plum,other vars.	lug			1	18.00s	18.00s			60					
HERBS:														
anise	carton of bunches	12		1	11.00s	11.00s			2					
basil, green	carton of bunches	12		2	6.00	6.54s	8.48s	8.48s	37		1	0	4.50	5.00
basil, purple	carton of bunches	12		1	6.75s	6.75s			3					
cilantro	carton of bunches	12		3	5.00s	5.35s	7.43s	7.43s	22				3.00	3.75
mint, peppermint	carton of bunches	12		1	6.50s	6.50s			2		1	0	4.00	5.00
mint, spearmint	carton of bunches	12		1	6.50s	6.50s			2					
oregano, greek	carton of bunches	12		1	6.50	6.50	8.50s	8.50s	4					
oregano,	carton of bunches	12		1	6.50s	6.53s			4				4.50	5.00
parsley, curly	carton of bunches	12		3	2.00s	3.00s	3.00s	3.00s	35	29%			1.30	1.50
parsley, Italian	carton of bunches	12		3	3.00s	4.30	5.20s	5.20s	17				1.70	2.00
rosemary	carton of bunches	12		2	6.50s	6.50s	8.50s	8.50s	6				4.50	5.50
sage	carton of bunches	12		2	6.50s	6.50s	8.50s	8.50s	6				4.50	5.00
thyme	carton of bunches	12		1	6.50s	6.50s			3				4.50	6.00
MELONS:														
cantaloupe	carton	6- 23	36	6	8.00sb	12.00sb	12.25s	16.50s	266					
casaba	carton	4- 8		5	5.00s	6.34sb	8.50s	8.50s	100				4.00	6.00
crenshaw	carton	5		1	8.00s	8.00s			28				10.00	12.00
honeydew	carton	5- 8	25	5	7.50s	9.34sb	1.75s	12.25s	134				4.50	5.00
honeydew,orange	carton	25	35	3	9.00s	10.00s			66					
honeyloupe	carton	6- 8		1	9.34sb	9.34sb	11.75s	11.75s	18					
Sharlyn	carton	8		1	12.00s	12.00s			48				12.00	16.00
watermelon,red vars,bin	per lb.		1	2	0.11s	0.17s			7700				0.10	0.12

--continued--

See end of crop list for explanation of column headings.

CROP/VARIETY	DESCRIPTION	COUNT	WEIGHT	NO.	PAID TO GRWR	SOLD TO RETAIL	AMT	OUT	U	O	LA TERMINAL
VEGETABLES:											
beans,green	crate/ctn		30	2	22.00s 31.25s		69				12.00 [illegible]
beans,Blue Lake;	crate/ctn		15- 20	2	15.25s 20.00	18.25s 25.00s	7				
beans,Blue Lake;	per lb.		1	1	0.95 0.95	1.20s 1.20s	5	100%			
beans,green vars	crate/ctn		20	1	24.00 24.00	29.50s 29.50s	3				
beets,red	bag		25	1	12.00s 12.00s		80				7.00 8.00
beets,red	carton of bunches	24	25	1	12.98s 12.98s		33				
bok choy	carton		20- 35	2	10.00s 14.00sb	18.08s 19.53s	11				
broccoli,bu/lse	carton	24		1	10.00sb10.00sb	14.02s 14.02s	9	100%			
broccoli,bunched	carton	14	18	3	7.86s 11.50sb	15.95s 15.95s	484	7%	1	0	7.00 7.50
cabbage,green	ctn/crate		45- 50	3	10.00sb17.00s	15.00s 20.50s	41	12%			7.50 8.00
cabbage,red	ctn/crate		45- 50	2	13.75s 15.00	21.25s 21.25s	24				7.50 8.00
cabbage,savoy	carton/crate		40- 50	2	12.00s 12.50s	16.40s 16.40s	[illegible]				15.00 16.00
carrots,bunched	carton	24	25	4	7.95s 12.26	15.51s 15.51s	76				7.50 8.00
carrots,No. 1	sack		25	3	6.45s 9.75s	12.00s 12.00s	57				6.25 7.50
carrots,small/cello	sack		25	1	8.90sb 8.90sb	11.00s 11.00s	50				
carrots,jumbo	sack		25	1	6.95s 6.95s		80				
carrots,bagged: 48 1# bags	sack			2	16.85s 18.85s		141				10.75 11.75
carrots,bagged: 24 2# bags	sack			1	14.85s 14.85s		42				
carrots,bagged: 10 5# bags	sack			1	12.85s 12.85s		84				
cauliflower,cello:	tray	12- 16		1	13.00s 13.00s		56				
cauliflower,jacket	crate	12	30	2	11.00s 18.00	13.50s 22.30s	39				9.50 10.50
cauliflower	crate		20- 22	2	10.00s 10.75s		22				
celery	carton	30- 36	45- 50	6	21.50s 23.00s	31.75s 31.75s	275	2%			15.50 17.50
celery	carton	24		1	23.00sb23.00sb	31.18s 31.18s	8	100%			14.00 15.50
chard,green	bunched	12		1	6.50 6.50	8.75s 8.75s	1				6.00 7.00
chard,green	bunched	24		1	15.00s 15.00s		8				
chard,red	bunched	24		2	12.50 14.00s	18.50s 18.50s	8				6.00 7.00
collard,	ctn of bunches	12		1	5.00sb 5.00sb	7.50s 7.50s	1				3.50 4.50
collard,	ctn of bunches	24		2	9.46s 10.00s		31				
corn,sweet white	carton	48		1	10.50 10.50	13.99s 13.99s	239		1	0	16.00 17.00
corn,sweet yellow, trimmed	carton	60		1	13.35s 13.35s		22				10.00 12.00
cucumber,slicers;	lug or carton		22- 25	6	6.75s 10.00sb	9.50s 13.68s	141	3%			7.00 9.50
cucumber,slicers;	lug or carton	42		1	6.00s 6.00s		160				
cucumbers,pickling	lug or carton		22	1	16.50 16.50	20.75s 20.75s	1				3.00 5.00
dandelion greens	carton of bunches	12		1	5.82s 5.82s		8				
eggplant, Asian	carton		10	2	17.00 19.00	21.50s 21.50s	6		1	0	
eggplant,globe	carton		10	1	15.00 15.00	19.17s 19.17s	65		1	0	9.00 [illegible]
eggplant,Japanese	carton		10	1	15.00 15.00	19.25s 19.25s	2		1	0	10.00 0
endive	carton of bunches	24		1	10.00s 10.00s		14				5.50 [illegible]
fennel	carton of bunches	12		1	8.00s 8.00s		2				
garlic, white,no. 1	per lb.		1	2	2.30s 2.50s		340				
garlic, white, med	per lb.		1	2	1.50s 2.00	2.00s 2.60s	155				
garlic, white, early harvest	per lb.		1	1	2.00 2.00	2.60s 2.60s	160		1	0	
jicama	per lb.		1	1	0.50s 0.50s		250				0.25 0.35
kale	carton of bunches	12		1	5.00sb 5.00sb	7.10s 7.10s	6				4.00 4.50
kale	carton of bunches	24		4	10.18s 14.00sb	13.25s 18.00s	30				6.00 7.50
kohlrabi, green & purple;	bunched	12		1	8.00 8.00	11.25s 11.25s	1				9.00 10.50
leeks	carton		20	6	15.00s 15.75s	19.60s 21.19s	43				
lettuces:											
green Butter/Bibb	ctn of bunches	24		2	8.00sb 8.83s	12.00s 12.00s	24				6.00 6.50
green leaf vars	ctn of bunches	24		6	7.00s 10.00s	12.00s 14.00s	201				6.00 6.50
green Romaine	ctn of bunches	24		6	8.00s 12.00s	12.00s 15.33s	103				6.00 6.75
iceberg	ctn; place-pack	24		1	12.00s 12.00s		5				8.25 9.50
redleaf vars.	ctn of bunches	24		6	6.00s 11.00s	13.20s 15.42s	215				6.00 6.50
mustard greens	ctn of bunches	24		2	13.00s 13.75s		13				3.50 7.50
onions,green	ctn of bunches	12		4	3.00s 3.00s		87				1.88 2.38
onions,red	sack or ctn		40	2	15.00s 16.80s	20.25s 20.25s	27				7.00 8.00
onions,red,uncured	sack or ctn	12		1	3.60s 3.60s		11				
onions,yellow	sack or carton		40- 50	3	15.00s 16.80s	20.25s 20.25s	101				6.00 7.50
onions,white	sack or carton		40	1	16.00sb16.00sb	21.08s 21.08s	12				
onions,white,pearl	10x1 bags			1	14.00s 14.00s		2				
pak choy	carton	24		1	12.00s 12.00s		8				
peas, Sugar snap	per lb.		1	2	1.00s 1.50sb	2.00s 2.00s	220				1.50 2.00
peas,English	ctn/crate		28- 30	2	20.00s 24.00s		22				18.00 21.00
peas,snow	by the pound		1	1	1.69s 1.69s		20				1.20 1.50
potatoes:											
Bintje	carton		25	1	15.00 16.25	18.75s 20.50s	17				
Bintje, B	carton		25	1	26.50 26.50	33.00s 33.00s	10				
red vars, A	ctn/sack		50	1	20.00s 20.00s		42				17.50 18.50
russet vars	ctn/sack		50	1	18.34sb18.34sb	22.00s 22.00s	5				9.00 11.50
russet vars	ctn/sack	90	50	4	16.00s 20.34sb	25.00s 25.00s	115				9.00 10.50
russet vars,	baled (10/5# bags)		50	2	14.00s 16.34sb	20.00s 20.00s	34				9.50 0
Yellow Finn, A	carton		50	1	25.00s 25.00s		50				
Yellow Finn, B	carton		50	1	27.00s 27.00s		50				
radish,red/white	carton of bunches	12		1	4.60s 4.60s		25				4.25 4.50
radish,Daikon	carton/sack		25	2	10.90s 12.00s		82				
spinach	ctn of bunches	12- 24		5	4.00sb13.00sb	6.50s 15.60s	134				6.50 7.50
sprouts,sunflower,	2-5# flat, per lb.		1	1	2.59s 2.59s		8				
squash, soft:											
Sunburst/Gold Pattypan,	lug/ctn		22- 23	2	11.81s 15.00	19.50s 19.50s	28				
Summer/Pattypan	lug/box		22	1	12.33s 12.33s		6				
Yellow Crookneck	lug/box			1	12.00s 12.00s		15				5.00 8.00
Yellow Straight	lug/box		22	1	15.00s 15.00s		12				
Zucchini	lug/box		22- 24	1	6.48s 7.00s		139				4.00 6.00
Zucchini, x/fancy	lug/box		22	1	9.00sb 9.00sb	11.00s 11.00s	7				
squash, hard:											
Acorn,green	carton		35	1	21.25s 21.25s		4				10.00 14.00
Acorn,Golden	carton			1	21.25s 21.25s		5				
tomatoes,red cherry,	flat of pints			4	12.00s 14.00s	15.00s 15.00s	133		1	0	4.00 6.00
tomatoes	loose lug		25	1	10.00s 10.00s		5				
tomatoes,asstd sizes	1-layer place pk		10- 13	2	6.00s 12.05s		442				
tomatoes,asstd sizes	2-layer place pk		20- 25	6	8.00s 15.00s	11.25s 16.00s	458	2%			7.00 9.00
tomatoes,Roma			25	1	12.00s 12.00s		15				
tomatoes,saladette	loose lug		18- 22	2	11.00s 13.00	17.50s 17.50s	29				
tomatoes,yellow vars	one-lyr or lse		13	1	12.70s 12.70s		14				

--continued--

See end of crop list for explanation of column headings.

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COUNT, WEIGHT, and DESCRIPTION describe the pack, which is the unit in which prices and amounts are reported.
   = Number of distributors reporting purchase of this commodity this week.
  ) TO GRWR = Range of "average price paid to growers" reported by distributors;s=shipping incl.;b=pd to broker/co-op/packer.
SOLD TO RETAIL = Range of "average price offered to retailers" as reported by Calif. distributors; s=local shipping included.
AMT = Total volume bought in last week by all distributors reporting this item (same units as price, e.g. ctns, lugs).
OUT = Percent of AMT that was grown outside of California, if any.
U = Number of distributors reporting undersupply of the stated commodity this week (from CA growers).
O = Number of distributors reporting oversupply of the stated commodity this week (from CA growers).
LA TERMINAL = wholesale price (for retailers) for non-organic items for comparison;  range is that reported in Los Angeles
              Wholesale Fruit and Vegetable Report (previous Monday) by the Federal-State Market News.

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Subscription rates: individuals and growers: $73/yr(52 issues),$39/half-yr;institutions/non-grower businesses: $125/yr,$65/hal
Outside U.S.:  add $0.50/week ($13.00/half year; $26.00/year) for airmail.
Individuals and growers may pay for annual subscription in quarterly installments, $22.00 per quarter.
Mail check with name and address to:  SCSA-OMNIS, P.O. Box 1300, Colfax, CA 95713.

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Information was received this week from the following distributors:

Fowler Brothers, Box 2324, San Rafael CA 94912; 415/459-3406
Mountain People's Warehouse, P.O. Box 1027, Nevada City CA 95959; 916/273-9531
Nature's Food and Tool, 3437 N.E. 24th, Portland OR 97212; 503/288-3414
Organic Farms, Inc., 10714 Hanna St., Beltsville, MD 20705; 301/595-5151
Organically Grown Coop., P.O. Box 1082, Eugene OR 97440; 503/342-6296
Veritable Vegetable, 1600 Tennessee, San Francisco CA 94107; 415/821-1450
Watsonville Coast Produce, 121 Lee Road, Watsonville CA 95077; 408/722-3851
Yocal Produce Cooperative, P.O. Box 411, Woodland CA 95695-0411; 916/668-1230
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OMNIS BULLETIN BOARD AND CLASSIFIED ADS

Each subscriber can post a SIX-line message for any two consecutive weeks free. After that, additional messages may be posted for $1 per line (approx. 40 characters) per week. All messages must be legibly printed or typed and must be received by OMNIS (with payment included) by the Wednesday before the issue in which they are to be run. Send to: OMNIS Classified, POB 1300, Colfax, CA 95713. Contributing distributors post messages free of charge, in appreciation of their work reporting to us.

FOR SALE, Organic Produce & Natural Fertilizer Business, Over 50 local suppliers contracted for 1989. Rapidly expending markets. 609-273-8484.

[illegible]rienced farmer wanted for diversified C.C.O.F. farm. Experience in production of both tree fruit and vegetables preferred. Contact Michael at 805-967-7369.

The Agroecology Program/U.C. Extension offers a 6-month Apprenticeship in Ecological Horticulture, April 1- September 30 at the Farm & Garden, Santa Cruz. Emphasis is on hands-on learning in organic gardens, orchards and row crops. For further information, write: Apprenticeship, Box A, Agroecology Program, University of California, Santa Cruz, CA 95064. Phone (408) 429-2321

Wanted: Organic growers in Texas to become Certified and grow Certified Organic Produce for the large demand we have. Contact Texas Organic Growers Asso., John Matthews, Pres. (512)846-3741, Rt. 1 Box 9, Hutto, TX 78634, Jim Smalley 214-223-1086 (Dallas) Bay Loxson 512-876-2103 (So Tx)

NATIONAL BIODYNAMIC CONFERENCE on the theme "Silica in Agriculture" coming up on August 4-6 in Fair Oaks, CA. For info, call 916-965-0389.

NOVATO CERTIFIED FARMERS MARKET, Opening Day, Tuesday, June 6, 9AM-1PM at the "Old Town" Novato at Grant and Sherman Avenues. Novato's First Certified Farmers' Market will open with a farm animals exhibit, clowns and food purveyors. Over 40 farmers and producers with farm direct seasonal, specialty and organic produce, ranch eggs, poultry, cheese, honey, eggs, flowers, plants, as well as local fishermen will be regularly featured at the Novato Farmers Market every Tuesday from June 6 thru November 21. Contact Lynn Bagley, 415-456-FARM

WANTED: Growers of Qualtiy Organic Produce, for wholesale distribution. Contact All-Organic Produce and Supply. 415-465-6169

Montana Grown, Certified Organic and Chemically Free Grains...Produce...Seeds...Feeds...Meats. When you want the best, contact Jim, at BARNSTORMERS "From Furrow to Fork", 215 Cooper Drive, Cascade, MT 59421, 406-468-2783

CONTINUED EXPANSION creates need for experienced inside and outside Sales Representatives. Resumes with salary history to Personnel, ORGANIC FARMS, INC., 10726-B Tucker St, k-Beltsville, MD 20705

MT. PEOPLE'S WAREHOUSE has moved to its brand new facility. Look for future announcements of an Open House. For further details, contact Lee at 916-273-9531.

WANTED: Experienced salesperson also buyer for organic produce and other products. Exp. with supermarket sales preferred. Call 408-728-1501

THE OMNIS REPORTER

Red Delicious Apple Price Comparison, continued

Last week the OMNIS Reporter surveyed the high-end prices paid to organic growers for red delicious apples during the period of June 1988 to June 1989.

This week we compare the high-end prices, indicated by the solid bars on the graph, with the low-end prices, indicated by the thatched bars on the graph.

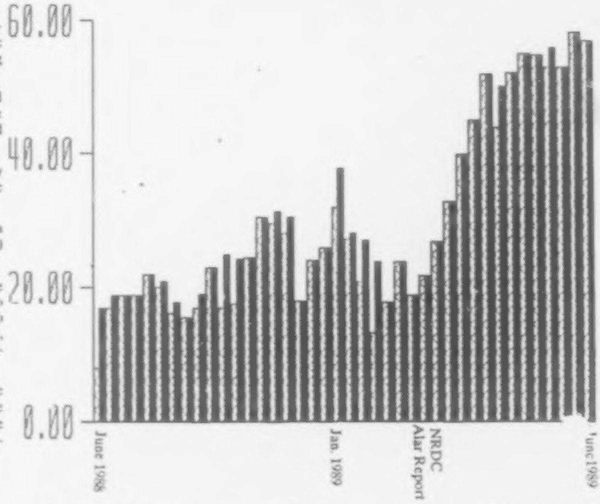
One week's price range is indicated by the pair of one solid bar (high) and one thatched bar (low).

The comparison of prices was made on a consistent pack of 38 pounds/100-150 count to minimize variables.

The survey seems to show that the market was fairly stable from high end to low end. The range of prices from high to low move together in the marketplace, with only an occasional spread that is significant.

Next week OMNIS will compare the high-end prices paid to growers with the high-end prices paid by the retailer to the wholesaler, indicating the range of mark-up during that period by the wholesaler.

Red Delicious Apple Prices



June 1988 to June 1989 Comparison of High-end and Low-end Prices Paid to Organic Growers

* * *

Round-up Those TV ads

The National AgriChemical Retailers Association, fearing that excessive advertising of farm chemicals may be turning public opinion against their products, is asking manufacturers to reduce or eliminate their television advertising. Too many non-farmers see the ads, their reasoning goes, and a growing number of them are becoming concerned about contamination both of the environment and the food they buy at the supermarket. The up side of their new stance is that it leaves stations no longer dependent on the advertising dollars brought in by chemical poisons freer to carry stories extolling the virtues of organic and biological farming. (Tuning In, newsletter of Friends of the Farm)

Is Free Trade Good for Farmers?

The Center for Rural Affairs has released a study examining the implications of free trade on U.S. and foreign agriculture, entitled *The Great Trade Debate*. Written by Marty Strange and others at the Center, the study warns that farmers here and abroad are likely to be the losers under free trade policies. The author argues that sustainable agriculture may provide a better means of reducing surpluses th the free trade and cheap commodity policies proposed by the Bush administ on. Available for $7 from CRA, Box 405, Walthill, NE 68067

OMNIS
P.O.B 1300
Colfax, CA 95713

TESTIMONY ON 1990 FARM BILL

NOVEMBER 4, 1989

CALIFORNIA STATE UNIVERSITY - FRESNO

by

Dr. Charles M. Smallwood, Dean
School of Agricultural Sciences and Technology
California State University - Fresno
Fresno, CA 93740-0079

on behalf of the

American Association of
State Colleges of Agriculture and
Renewable Resources (AASCARR)

Mr. Chairman, I am Charles Smallwood, Dean of the School of Agricultural Sciences and Technology at CSU-Fresno. I am presenting testimony on behalf of the American Association of State Colleges of Agriculture and Renewable Resources (AASCARR). My testimony relates specifically to Section 1417 of PL 90-113, Grants and Fellowships for Food and Agricultural Sciences Education. This section has been beneficial for the food and agricultural system. We encourage continued authorization. We are proposing some minimal, but sorely needed changes to Section 1417. The changes are based on the need for authorization to perform the following functions:

1. Clarify and better organize existing language.

2. Administer undergraduate scholarship and/or fellowship programs, particularly those which can be targeted toward minority students.

3. Target capacity building grants program to selected groups of institutions, particularly the 1890 Land Grant Institutions and Tuskegee University or, as future needs arise, to Hispanic universities.

4. Acquire national data essential to evaluating the effectiveness of Departmental programs aimed at strengthening higher education.

5. Support unique initiatives aimed at keeping scientists and professionals abreast of advancing science and technology.

6. Establish a Secretary's award program to recognize excellence in college and university teaching.

NOTE: Proposed 1990 "Farm Bill" language is attached.

(Attachment follows:)

PROPOSED REVISIONS TO 1990 FARM BILL
For Food and Agricultural Higher Education

SEC. ____. Section 1417 of the National Agricultural Research, Extension, and Teaching Policy Act of 1977 (7 U.S.C. 3152), is amended to read as follows:

"SEC. 1417. (a) (1) The Secretary shall promote and strengthen higher education in the food and agricultural sciences by formulating and administering programs to enhance college and university teaching programs in agriculture, natural resources, forestry, veterinary medicine, home economics, and disciplines closely allied to the food and agricultural system.

(2) The Secretary may make competitive grants, or grants without regard to any requirement for competition, to land-grant colleges and universities, to colleges and universities with significant minority enrollments having a demonstrable capacity to carry out the teaching of food and agricultural sciences, and to other colleges and universities having a demonstrable capacity to carry out the teaching of food and agricultural sciences, for a period not to exceed five years--

(A) to strengthen institutional capacities, including curriculum, faculty, scientific instrumentation, instruction delivery systems, and student recruitment and retention, to respond to identified State, regional, national, or international educational needs in the food and agricultural sciences;

(B) to attract and support undergraduate and graduate students in order to educate them in national need areas of the food and agricultural sciences;

(C) to facilitate cooperative initiatives between two or more eligible institutions or between eligible institutions and units of State government or organizations in the private sector to maximize the development and use of resources such as faculty, facilities, and equipment to improve food and agricultural sciences teaching programs;

(D) to conduct undergraduate scholarship programs to meet national needs for training food and agricultural scientists and professionals;

(E) to conduct graduate and postdoctoral fellowship programs to attract highly promising individuals to research or teaching careers in the food and agricultural sciences.

Each recipient institution shall have a significant demonstrable commitment to higher education teaching programs in the food and agricultural sciences and to each specific subject area for which a grant is to be used. The Secretary may set aside a portion of the funds appropriated for the award of grants under this section and make such amounts available only for grants to eligible colleges and universities that the Secretary determines have unique capabilities for achieving the objective of full representation of minority groups in the Nation's food and agricultural sciences workforce. Further, the Secretary may require that any grants awarded under this section contain provisions which require funds to be targeted to meet the needs identified in Section 1402 (13)-(17) of this title.

(b) The Secretary shall conduct programs to develop, analyze, and provide to colleges and universities data and information that are essential to the evaluation of the quality of current teaching programs and to facilitate the design of more effective programs comprising the Nation's food and agricultural sciences higher education system.

(c) The Secretary shall conduct special programs with colleges and universities and with organizations in the private sector to support educational initiatives to enable food and agricultural scientists and professionals to remain abreast of changing technology, the expanding knowledge base, societal issues, and other factors which impact the skills and competencies needed to maintain the expertise base available to the Nation's agricultural system. Such special programs shall consist of, but not be limited to, grants and technical assistance.

(d) Funds authorized in Section 22 of the Act of June 29, 1935 (49 Stat. 439, as amended; 7 U.S.C. 329), are transferred to and shall be administered by the Secretary of Agriculture. There are hereby transferred to the Secretary all the functions and duties of the Secretary of Education under the Act of June 29, 1935, (7 U.S.C. 329) applicable to the activities and programs for which funds are made available under Section 22 of such Act.

(e) The Secretary shall establish a National Food and Agricultural Sciences Teaching Awards program to recognize and promote excellence in teaching food and agricultural sciences. The Secretary shall make at least one cash award in each fiscal year to a nominee selected by the Secretary for excellence in teaching a food and agricultural science at a college or university. The Secretary may transfer funds from amounts appropriated for the conduct of any agricultural research, extension, or teaching program to an account established pursuant to this section for the purpose of making such awards. In addition, the Secretary may accept gifts pursuant to the provisions of the Act of October 10, 1978 (7 U.S.C. 2269) for the purpose of making such awards.

(f) There are authorized to be appropriated for purposes of carrying out this section $50,000,000 for each of the fiscal years ending September 30, 1990, through September 30, 1995.

(g) The Federal Advisory Committee Act (5 U.S.C. App.2) and Title XVIII of the Food and Agriculture Act of 1977 (7 U.S.C.

2281 et seq.) shall not apply to a panel or board created for the purpose of reviewing applications, proposals, or nominations for awards submitted under this section."

UNIVERSITY OF CALIFORNIA, DAVIS

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COLLEGE OF AGRICULTURAL AND ENVIRONMENTAL SCIENCES
DIVISION OF AGRICULTURE AND NATURAL RESOURCES
AGRICULTURAL EXPERIMENT STATION
COOPERATIVE EXTENSION
OFFICE OF THE DEAN AND DIRECTOR OF PROGRAMS
(916) 752-0107
(916) 752-4789 (FAX)

DAVIS, CALIFORNIA 95616

November 4, 1989

TESTIMONY ON BEHALF OF RESEARCH FOR THE UNIVERSITY OF CALIFORNIA

I appreciate the opportunity to speak on the subject of research in the College of Agricultural and Environmental Sciences at the University of California, Davis, in relation to the Food and Security Act of 1985 and formulation of the 1990 Farm Bill.

The College of Agricultural and Environmental Sciences (CAES) at the University of California, Davis (UCD) is the largest College of its type in the United States, with approximately 500 faculty and extension specialists, 4500 undergraduates, and 1200 graduate students. It is the largest of the three academic components of the UC Division of Agriculture and Natural Resources (UC DANR) headed by the UC Vice President for ANR, Kenneth Farrell.

Our research in UCD-CAES spans four broad areas:

1. Agricultural Sciences (Food and Fiber Production)
2. Environmental Quality Programs
3. Quality of Life Issues
4. Basic Biology

There are typically several departments and several instructional majors involved in each area. At UCD, we have tried hard to stress the importance of areas #2 - #4 to the future well-being of agriculture, and to not focus exclusively on the more traditional area of #1.

I wish to stress two points:

1. UCD's College of Agricultural and Environmental Sciences (and land grant institutions in general) are at a critical juncture in modernizing to fit the needs of society for the 21st century. Modernization is reflected in the turnover of our faculties and recruitment of new faculty members; in rejuvenating our teaching programs so that we attract the brightest students to our majors; in designing research and extension programs which reach into such non-traditional areas as resource development, urban rejuvenation, regional planning and quality-of-life issues.

2. In order to increase momentum in this modernization, we need to have major new investments of public funds to provide for the development of new programs, to serve as stimuli for our young faculty and graduate students, and (particularly) to overhaul the aging facility infrastructure, including equipment and intruments needed to conduct our work.

We have an unusual opportunity to make major headway now, and to build a foundation for more progress during the next century in several areas:

- Water Quality -- This is the consensus number one priority issue both nationally and regionally.
- Biotechnology -- This affords a "growth" area for agriculture, not only in food production, but also energy production, human medicines, and the like (see attached Sacramento Bee article by Seiber).
- Sustainable Agriculture Systems -- The issue is to institute systems which are both productive, and also sound in terms of environmental quality. The frontier, a subject of specific interest in sustainable agriculture at UCD, is to develop systems adaptable to large-scale agriculture (see the attached Sacramento Bee article by Lyons and Seiber).
- Food Safety -- Society demands that we provide wholesome, nutritious foods that are free of harmful residues, microbes and food additives. To satisfy this demand, new non-chemical pest control alternatives are needed.
- New Markets -- Our competitive edge needs constant reinforcement by development of new agricultural products and new markets, including in foreign lands.

Each of these issues, and several others which can be found in "Research Initiatives -- An Update of the Research Agenda for the State Agricultural Experiment Stations" (ESCOP) and "Project 2000 -- A Strategic Plan for the UCD College of Agricultural and Environmental Sciences" are to benefit from proposals associated with the 1990 Farm Bill. The National Initiative would provide $0.5 Billion to vastly improve research capabilities at UCD and our sister land grant campuses. The Special Grants would focus on such areas as pest control technologies, atmospheric quality, and the like. The Competitive Grants are essential to provide for research of the highest quality in such areas as biotechnology, low-input sustainable agriculture (LISA), water quality, etc.. These are in addition to Hatch Act Formula Funds which allow agricultural researchers to innovate beyond the confines of a defined program. Formula Funds have steadily eroded over the past ten years, certainly so at UCD.

To conclude, agricultural research is at the threshold of a new era; it is flexing new muscles and speaking with renewed confidence; a 1990 Farm Bill generous toward research and extension needs is vital to continuing growth of this optimistic spirit from its infancy to eventual full maturity.

James N. Seiber
Associate Dean for Research
College of Agricultural and Environmental Sciences
University of California, Davis
Davis, Ca. 95616

(Attachments follow:)

Biotechnology down on the farm

Bee 5-19-89

James N. Seiber is professor of environmental toxicology and associate dean for research in the College of Agricultural and Environmental Sciences at the University of California, Davis.

By James N. Seiber

DURING THE past century, the U.S. agricultural industry has developed a food and fiber production and delivery system that is the envy of the world. We Americans tend to take for granted the abundance of affordable, high quality food in our marketplaces year-round. But those in the American farming community are well-aware that this record of accomplishment was achieved only by "farming smart" — putting the latest technology into practical use.

Pest-control chemicals are one such technology that since the 1930s and '40s has played a key role. But pesticide use is not without its share of risks, such as exposure of farm workers, drift to non-target crops and ornamental plants, damage to wildlife, contamination of water and soil, and chemical residues on food.

Despite substantial advances in addressing these major problems, a growing segment of the public perceives these risks as unacceptable. For example, major gaps in our food-safety monitoring programs for pesticide residues, highlighted by two well-publicized recent reports, have raised consumer concerns over the safety of both fresh and processed foodstuffs.

Responding to these concerns, agricultural producers are turning increasingly to farming methods that minimize pesticide use, including biological control of pests. Unfortunately, many of the alternative approaches are currently less effective — at least in the short run — than the existing pest-control technology based on petrochemicals.

Biotechnology, however, can help change that.

The biological control of pests involves use of beneficial living organisms and their products to manage pest populations and to reduce their detrimental effects. Biological control is natural control in the sense that pest populations are kept in check by natural enemies. The control is subject, however, to human manipulation to put it to better use in agriculture. Biotechnology can improve the effectiveness of biological control organisms as well as provide new means for producing and analyzing them.

MICROBIOLOGICAL pest-control agents, such as bacteria and insect viruses, offer a particularly rich field for the application of biological control enhanced by biotechnology. These microbes are federally regulated and applied in agriculture much like a chemical pesticide. One important bacteria used in this way is Bacillus thuringiensis, which is commonly referred to as "BT." Biotechnology can be used to increase the potency of BT, to extend its range of applications, to improve the quality of BT formulations, and generally to make BT competitive with the best synthetic chemical pesticides on the market.

Another possibility is to genetically alter crops such as tomatoes, tobacco and cotton by inserting a gene from BT that makes the plants themselves resistant to damaging insects. Tomato plants possessing the resistance gene are now in the field-testing stage, with commercial applications possible in three to five years.

Biotechnology also could facilitate use of certain insect viruses for pest control on the farm. These viruses reproduce in the insect, sapping its energy and eventually killing it. They do not survive in higher animals, and thus pose no threat to man or wildlife.

Such an insect virus is associated with the codling moth, a harmful pest to apples, pears and walnuts. Field trials have proven that it can be controlled by spraying the natural virus over the tree, although currently the cost of this biological-control technology exceeds that of chemical insecticide application and may be less reliable.

However, the potential for virus control of insects could be greatly increased by using biotechnology to alter the virus to make it more effective. Alternatively, the natural, unaltered virus could be more efficiently produced using biotechnology-based fermentation techniques, thus lowering its costs to the grower.

In another important application of biotechnology, plants can be engineered for herbicide resistance, enabling them to survive when certain weed killers are used around them. Specific genes can be inserted in crop plants so that they are not affected by specific herbicides. This is environmentally important, because the herbicides at which this resistance is directed are low-dosage materials with solid records of safety.

BIOTECHNOLOGY also could provide efficient methods for producing "biorational" pesticides, natural chemical pest-killers that are considered to be environmentally safe. Because of their complex structures, these products are difficult to manufacture by traditional chemical techniques, but they can be made by microbial fermentation, a technique in the arsenal of biotechnology.

A group of therapeutic agents called avermectins, for example, are exceptionally useful in agriculture, and veterinary and human medicine. Genetic improvement of the avermectin-producing microbes could increase the production yield and, thus, lower the costs of avermectins to the users.

Clearly, the range of possible applications of biotechnology in pest control, as well as in other areas of agriculture, is quite impressive. How quickly these new technologies are adopted will depend largely on resolving issues of patenting, economics and regulation. Tougher state and federal regulations limiting chemicals, combined with a political climate bent on improving U.S. technological competitiveness, will likely hasten the development of biotechnology-based pest-control strategies.

I recognize that people are concerned about the safety of biotechnology products, just as with chemicals. Certainly, we would not wish to create a new set of health or environmental problems when replacing synthetic pest-control agents. But the safety tests that have been done to date with products like BT, and in the genetically engineered micro-organisms such as the "ice-minus" bacteria recently field-tested in California, show no adverse impact.

CONTINUING safety evaluations must go hand in hand with research, development and commercial utilization. An infusion of public funds almost certainly will be needed to ensure that the safety aspects are addressed, and also to stimulate technology transfer from academic and USDA laboratories to the commercial arena.

In fact, biotechnology requires a massive investment — monetarily, intellectually and politically. But, if this nation is to enjoy an environmentally sound and economical system for producing our food and fiber, that is an investment we can little afford not to make.

Special to The Bee

Leaving room for farmers

James M. Lyons is special assistant to the associate vice president for agriculture and natural resources, University of California, and professor of vegetable crops at UC Davis. James N. Seiber is associate dean for research in the UC Davis College of Agricultural and Environmental Sciences and also professor of environmental toxicology.

By James M. Lyons
and James N. Seiber

Sacramento Bee 10/23/89

ALTHOUGH LESS than 5 percent of California's population is directly engaged in farming and ranching, agriculture remains the largest industry in the state and a major generator of jobs in other businesses from transportation to advertising. Yet public attitudes toward farming are increasingly negative, and California's agricultural sector, as a result, is increasingly at risk.

But the fault lies partly with the public itself and national policies dedicated to cheap food. Agriculture has responded by emphasizing increasing food production using technologies that neglect the longer-term health of the environment. Critics of this system point to the contamination of soils and groundwater with salts, nitrates from fertilizers, pesticide residues, adverse impacts on farm worker health and welfare, inhumane conditions for raising livestock, and the deterioration in the economy and quality of many rural towns. Some feel that California's system of intensive irrigated agriculture cannot hold up over the long haul and will inevitably decline.

However, as urban sprawl continues its advance into one-time farm- and ranchlands, even routine farming activities — plowing, irrigating and harvesting — are beginning to meet opposition from the neighboring non-farm sector. To create new subdivisions or parks, some suggest agriculture should be moved farther from the city core. To improve air and water quality, agriculture already is being asked to cease or diminish longstanding practices. New such proposals move through the Legislature each year.

It's predictable that, in the future, agriculture will be increasingly on the defensive, viewed as the segment of the state's society least compatible with local and regional plans for development.

Things needn't turn out that way. But continuing a strong agricultural system in California will require new attitudes and new practices by the farming community. The emphasis must be on "sustainability," on developing an agricultural system that does not deplete or pollute the state's soil and water resources. It must be "low-input" in terms of its use of fertilizers, irrigation water and pesticides. It must periodically replenish its fields by adding organic composts and by growing cover crops that may be of little short-term economic importance.

Already the state's farmers are experimenting with minimum tillage, drip irrigation and integrated pest management, which are part of the approach to sustainability. They are diversifying with specialty crops such as kiwifruit, pistachios and oriental vegetables, with commercial fish ponds and other non-traditional production systems, and with direct-marketing techniques such as Saturday farmers markets.

New technologies are benefiting smaller farmers as well as larger corporate farms, and the smaller farms are capturing new market niches and once again turning reasonable profits. The University of California is actively engaged in research comparing the new systems with more traditional ones and evaluating the long-term efficacy of the new systems.

BUT ENTHUSIASM and change in agriculture are not enough. Public attitudes toward farming also must change. When new subdivisions and shopping centers are required, strong consideration must be given to preserving agriculture, incorporating it as a buffer to prevent high-density sprawl. The planned use of orchards, vegetable fields and hayfields in and around new developments and parks can have a positive aesthetic as well as functional value, the results resembling the islands of habitation within seas of agricultural green that are so attractive in many European nations. In fact, massive urban sprawl with no farmland included is a relatively recent phenomenon and one proving to be undesirable to many residents in our heavily urbanized coastal basins.

A happy coexistence of farmers and suburbanites will require concessions on both sides. The farming community must limit, or forgo entirely, practices such as open field burning and pesticide sprayplanes and increasingly adopt alternatives to large-scale, high-input, single-crop farming. Cities and counties must provide low tax rates, exemption from bonds and direct-to-consumer marketing access for its farmers. Suburbanites must accept farm noises, odors and machinery on the road and provide services for seasonally migrant workers in exchange for the open space provided by their neighboring farms. Placing bicycle and jogging paths adjacent to and through farmlands could heighten the prospects of coexistence, integration and understanding between farms and cities.

Clearly, the time has come for Californians to consider carefully the important role agriculture can play in the state's future. If we fail to plan actively for agricultural systems compatible with the inevitable growth of the state's population, whole areas will be lost irreversibly to non-agricultural, high-density developments. The loss of agriculture may occur before we realize how important it is to our economic and aesthetic well-being.

In short, the quality of California life in the next century may rest on including sustainable agricultural systems in the statewide and regional planning of the 1990s.

10-23-89 Special to The Bee

California Certified Organic Farmers
State Office, Post Office Box 8136, Santa Cruz, California 95061-8136; (408) 423-2263

November 4, 1989

Testimony of Tom Willey, of Fresno, California, representing California Certified Organic Farmers (CCOF); presented to the House Committee on Agriculture.

My name is Tom Willey. My wife Denesse and I farm 35 acres near Fresno. We raise organic vegetables, including potatoes, lettuce, peas, beans and squash. Our crops are grown very successfully without the use of any synthetic pesticides or fertilizers, according to the requirements of California law for organic foods, and our farm is certified organic by California Certified Organic Farmers. I am a member of the Board of Directors of CCOF and I represent the Board and membership of our association today.

We are very grateful for the invitation to speak to the Committee. I will briefly address 3 main issues: 1)the growth of the organic farming sector and some general implications of this; 2)standards and regulatory schemes for organic foods; and, 3)research and extension for alternative production practices.

CCOF is a non-profit, voluntary association of farmers and supporting members, founded in 1973. The association conducts an annual program of inspection, documentation and testing which certifies that its growers are meeting the requirements for production and labeling of "organically grown" foods, as defined by state law and the additional, more stringent requirements of CCOF. At this time, the CCOF certification program has enrolled 524 growers, including about 48,000 acres of organic production. We estimate the wholesale value of this production to be at least one hundred and fifty million dollars ($150,000,000). Our membership encompasses the full spectrum of California agriculture, from growers of less than 10 acres to those farming several thousands of acres. Virtually every crop that can be grown in California is being grown organically, including livestock products.

As you might guess, our organization has been growing at very rapid rate. Our membership has increased by 200% since 1987, and the acreage committed to the program has grown by almost 300% in the same period. In the last six months alone, our membership has has jumped by almost one-third. This is only one of many indicators revealing a surge in consumer demand for organically grown foods and a matching desire on the part of farmers to meet that demand.

For many reasons, growers and consumers alike are seeking an agricultural system that provides fundamental alternatives to dependence on synthetic fertilizers and pest controls. There is a widespread consensus at the grass roots that our government and educational institutions should be be placing a much greater emphasis on developing these alternatives. We believe that this should be a major theme of the 1990 Farm Bill. We would like to comment on two specific policy areas.

National Standards for Organic Foods

California is one of a minority of states which has legal standards for organic foods. These standards have been the basis for the growth of the organic sector in the marketplace, which has in turn provided the incentive for many growers to convert to organic production. National standards are needed to facilitate this process on a wider scale, and to provide consumers throughout the country with a clear understanding of products labelled "organic".

We feel very strongly that comprehensive minimum standards should be enacted by federal statute. There is sufficient consensus within the industry for this to be done relatively quickly. Further elaboration and ongoing interpretation should be conducted jointly by the industry, consumers and federal agencies. States' rights to enact stricter standards should be preserved.

While a minimum national standard is highly desireable, a large federal regulatory apparatus is not. Enforcement of a minimum federal standard should be done primarily under state authority, allowing a continued role for non-governmental, third-party certifiers. A recent CCOF Board policy statement on federal standards is attached for the record. In addition, we are submitting the text of AB 2012, a bill currently pending in the California legislature to update the California organic standards. We believe this is an excellent model for federal legislation.

Research and Extension for Alternative Farming Methods

Many farmers want to move away from chemical-intensive methods but they don't know how. The research and extension institutions are not yet helping them to find the information they need.

We urge the Committee to study carefully the recent report on alternative agriculture released by the National Research Council of the National Academy of Sciences. The recommendations proposed by this study are the minimum action that should be taken to address the need for a vast new body of agricultural knowledge.

The public at large, the mainstream farm community, the retail food industry all suppport greatly increased funding for research on non-chemical methods of pest control and other types of alternative practices. Policy-makers haven't really gotten the idea yet that this is a long-term, widespread concern that is not just a fad. Substantial attention must be given to this lack of support in this legislative session.

Thank you for your time and attention.

(Attachment follows:)

California Certified Organic Farmers

State Office, Post Office Box 8136, Santa Cruz, California 95061-8136; (408) 423-2263

POLICY STATEMENT OF THE CCOF BOARD OF DIRECTORS

REGARDING NATIONAL ORGANIC LEGISLATION

CCOF supports the establishment of national standards for organic foods. We submit our 1989 Certification Handbook and AB 2012 (The California Organic Foods labeling and Enforcement Act of 1989) as models for the national standards. National legislation should establish a complete set of statutory standards at the level of detail described by AB 2012. The minimum basic definition of "certified organic foods" contained in national legislation should be:

> Certified organic food and feed has been determined as such by an independent third-party certification program. Certified organic products must have been documented and verified by an accurate and comprehensive record of the production and handling system.
>
> Independent third-party certification programs must:
> a) include disclosure of grower's name and address on request.
> b) be open to all growers regardless of marketing affiliation.
> c) include peer review of certification decisions.
> d) not trade certified organic product, or have or be a subsidiary that trades in product.
> e) require annual on-site inspection and signed grower affidavit.
> f) include publication of approved materials and practices.
>
> Certified organic food and feed is produced without the use of synthetic fertilizers or pesticides. Only approved materials and practices have been used on the land and crops for at least three (3) years prior to harvest.
>
> Certified organic livestock products are produced from animals raised on certified organic feeds and which are raised without the use of hormones, growth regulators, or other prohibited materials. Vaccination or medical treatments may be administered to organic animals but only for treatment of a specific documented disease or malady. Animals receiving such treatments must be withdrawn from production or withheld from slaughter for specified periods.
>
> Certified organic foods are processed, packaged, transported and stored without the use of artificial preservatives, colorings, irradiation, or other additives or prohibited materials.

Passed unanimously, June 25, 1989
Bill Brammer, President

(Assembly Bill No. 2012 is held in the committee files.)

Richard L. Cotta
Executive Vice President

WESTERN UNITED DAIRYMEN

Mr. Chairman, Honorable Members of the Panel:

My name is Richard Cotta, Executive Vice President of Western United Dairymen.

We appreciate very much the interest in California shown by the Committee in this hearing. Sometimes we get the feeling that we are just far enough away from Washington that our efforts to be heard are muted. Therefore the extra effort on the Committees part is duly recognized.

Western United Dairymen is a trade association representing dairymen throughout the state. Our organizational structure and system of membership meetings allows for the development of policy by dairymen who ship to all of the cooperatives and almost all of the proprietary plants. We are very aware of the economic significance of this committees decisions. We are also aware of our industries uniqueness operating under our own state order. Just to make the point more realistic we call your attention to the fact that our Class 1 price today is $13.28. The M/W price announced yesterday for October was $13.87, which means our Class 1 prices is $.59 lower than the M/W.

We recognize the new Agriculture Act will cover many areas and commodities. We intend to speak only to the dairy issues. We will leave the other commodity issues to those commodity experts. We do however recognize that actions in one commodity do have direct relationship and economic impact upon another commodity.

The 1985 Farm bill used a number of procedures to help bring the dairy program close to a supply-demand balance. The key to making Title 1-The dairy provisions work was using a combination of voluntary supply management programs coupled with mandatory price reductions and assessments. It would be a mistake to think any one of the factors alone would have brought us from the pre-1985 surplus situation to todays near balance. There is no doubt in our minds the dairy termination plan was one of the most cost effective programs ever administered into law. Many of the same principles which served as the basis of the 1985 Farm bill could be used for the 1990 Farm Bill. We would support most of the principles with some adjustments. Some of those adjustments would be:

1. The Secretary of Agriculture should be able to continue to reduce the support price in the face of excessive purchases. However, the method of estimating those purchases should be adequately defined including the use of total solids to determine milk equivalents. The current method of determining milk equivalent purchases based solely on the fat method is obsolete, inaccurate and should be replaced. We support moving toward a total milk solids. This requested change can be easily understood and supported by looking at the USDA DAIRY MARKET NEWS REPORT Volume 56 #43 (attachment 1 and 2)

2. We also feel the 5 billion pound milk equivalent figure is too low and should be set closer to 7 billion pounds.

3. It is important to realize the $2.50/hundredweight support price reductions over the past few years have moved the industry very close to the edge of economic failure. The projected support price in California in January 1990 could be $9.53/hundredweight. If prices fell to support it would be a decrease in excess of 25% from todays prices. Therefore if that same price reducing procedure is to continue in the 1990 Act it should be accompanied by other permissive programs which will make production adjustment as easy as possible. If the goal is to reduce supply let us be supportive of concepts that keep the majority of producers economically viable. We propose and support the following programs be available to the Secretary to be simultaneously implemented with future price cuts in the 1990 Farm Bill:

A. A voluntary heifer removal program.
B. A voluntary whole herd buyout
C. A voluntary milk diversion program
D. A short term (1 year) 2 tier base program

Mr. Chairman these are the basics of our suggestions for the 1990 farm bill. We thank you for your consideration and look forward to working with the Committee in the coming months to evaluate other suggestions and give more specific details where needed.

(Attachments follow:)

CCC PURCHASES (CONTRACT BASIS) OF DAIRY PRODUCTS

	FOR THE WEEK OF OCTOBER 21 - 25, 1985			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/85	SAME PERIOD LAST YEAR	WEEK ENDING 10/25/85	SAME PERIOD LAST YEAR
BUTTER							
Bulk	3,625,407	435,850	3,189,557	12,874,795	-0-	1/ 131,463,000	217,818,000
Packaged	307,296	-0-	307,296	729,828	-0-	17,313,000	16,136,000
TOTAL	3,932,703	435,850	3,496,853	13,604,623	-0-	148,776,000	233,954,000
CHEESE							
Block	3,009,673	-0-	3,009,673	11,560,494	-0-	119,386,000	119,703,000
Barrel	5,422,257	-0-	5,422,257	16,756,369	6,460,151	433,558,000	533,137,000
Process	781,200	-0-	781,200	1,525,200	3,236,400	99,045,000*	81,243,000
Mozzarella	-0-	-0-	-0-	-0-	440,000	-0-	-0-
TOTAL	9,213,130	-0-	9,213,130	29,842,063	10,136,551	651,989,000	734,083,000
NDM							
Nonfortified	7,375,961	385,231	6,990,730	25,405,366	7,729,378	765,562,000	925,834,000
Fortified	9,687,587	511,543	9,176,044	34,362,467	19,947,311	203,015,000*	253,557,000
Instant	2,688,792	-0-	2,688,792	3,427,992	2,315,184	25,922,000*	12,177,000
TOTAL	19,752,340	896,774	18,855,566	63,195,825	29,991,873	994,499,000	1,191,568,000

1/ Includes butter equivalent of butteroil: 0 pounds.

* Reserved for Domestic and Export Donation.

MILK EQUIVALENT, MILKFAT BASIS, OF NET PURCHASES (MIL LBS.):

OCTOBER 21 - 25, 1985 =	163.2	COMPARABLE PERIOD IN 1984 =	32.1
CUMULATIVE SINCE 10/01/85 =	375.8	CUMULATIVE SAME PERIOD LAST YEAR =	100.1

CCC ADJUSTED PURCHASES BY REGION FOR THE WEEK: OCTOBER 21 - 25, 1985

REGION	BUTTER		CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	988,293	307,296	1,833,180	4,827,632	706,800	3,455,639	1,651,266
WEST	2,201,264	-0-	1,176,493	594,625	-0-	2,443,341	6,995,437
EAST	-0-	-0-	-0-	-0-	74,400	1,091,750	529,341
TOTAL	3,189,557	307,296	3,009,673	5,422,257	781,200	6,990,730	9,176,044

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS - IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE		BUTTER	CHEESE
10/21/85	98,376	300,008	10/22/84	182,642	395,784
10/01/85	102,880	303,349	10/01/84	191,576	394,287
CHANGE	- 4,504	- 3,341	CHANGE	- 8,934	+ 1,497
% CHANGE	- 4	- 1	% CHANGE	- 5	N. C.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS ON OR AFTER JULY 1, 1985

MFG. MILK: $/Cwt Avg. Test $11.60 3.5% $11.31

BUTTER: Nationwide $1.3975

CHEESE: 40 & 60# BLK $1.2400; 500# BBL $1.1975

NDM: Nonfortified $.8075; Fortified $.8175

CCC SALES LIST FOR OCTOBER 1985

BUTTER: U.S. Grade A or higher: Market price, but not less than $1.5375 per pound.

U.S. Grade B: Market price, but not less than $1.5175 per pound.

CHEESE: 500# Fiber Barrel, Cheddar & Granular for Manufacturing U.S. Extra Grade: Market price, but not less than $1.3225/lb (standard moisture basis). Blocks - 40 & 60 pound Cheddar, U.S. Grade A or higher: Market price but not less than $1.3650/lb (standard moisture basis).

NDM: U.S. Extra Grade: Market price but not less than $0.8875/lb. U.S. Standard Grade: Extra Grade price minus 1.5¢/lb.

DEFENSE PERSONNEL SUPPORT CENTER PURCHASES FOR: OCTOBER 17 - 23, 1985

NORMAL REQUIREMENTS-NORMAL PROCUREMENT LEAD TIME (14 DAYS)-DELIVERED

	EXPORT		DOMESTIC	
	POUNDS	PRICE	POUNDS	PRICE
BUTTER:				
READY TO SERVE INDIVIDUAL PATTIES				
EAST	26,850	$1.6768		
CHEESE:				
PROCESS AMERICAN SLICED				
NORTHWEST	38,000	1.2939		
CALIFORNIA	38,000	1.3140		

THE TENTATIVE CLASS II PRICES for November 1985 are: Group A, $11.09; Group B, $11.13; Group C, $11.23. These prices are based on a November "Basic Class II Formula Price" of $11.09, which is a projection of the M-W price for October. The November Basic Class II Formula Price is the September M-W of $11.12 plus an "updating formula" change of minus 03 cents. (See page 8 of Dairy Market News report number 46 volume 49 for an explanation of this procedure and market groupings.)

WORLD PRICES: $/LB. FOB NORTHERN EUROPEAN AND SELECTED MAJOR WORLD PORTS (BF=Butterfat)

BUTTER, 82% BF $.4400-.5000 CHEESE, Cheddar $.5200-.5400 NDM, Spray Process, less than 1-1/2% BF $.3300-.3400

MINNESOTA-WISCONSIN MANUFACTURING MILK PRICES

AVERAGE PRICE PAID FOR MANUFACTURING GRADE MILK IN THE STATES OF MINNESOTA AND WISCONSIN

3.5% BUTTERFAT TEST DOLLARS/CWT

YEAR	JAN.	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
1983	12.62	12.59	12.53	12.51	12.51	12.50	12.50	12.48	12.48	12.52	12.56	12.11
1984	12.05	12.06	12.08	12.07	12.08	12.09	12.17	12.30	12.64	12.64	12.72	12.52
1985	12.40	12.21	11.95	11.62	11.46	11.20	11.10	11.08	11.12			

CCC PURCHASES (CONTRACT BASIS) OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF OCTOBER 23 - 27, 1989			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/89	SAME PERIOD LAST YEAR	WEEK ENDING 10/27/89	SAME PERIOD LAST YEAR
BUTTER							
Bulk	2,052,856	230,092	1,822,764	5,814,053	10,673,403	181,363,000 1/	142,843,000
Packaged	192,060	-0-	192,060	653,004	2,380,360	346,000	4,987,000
TOTAL	2,244,916	230,092	2,014,824	6,467,057	13,053,763	181,709,000	147,830,000
CHEESE							
Block	-0-	-0-	-0-	-0-	-0-	-0-	15,081,000
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	1,934,350	-0-	19,082,000
Mozzarella	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	1,934,350	-0-	34,163,000
NONFAT DRY MILK							
Nonfortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	2,523,000
Instant	-0-	-0-	-0-	-0-	-0-	-0-	5,420,000
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	7,943,000

1/ Includes butter equivalent of butteroil: 6.1 million pounds.
* Quantities in special containers or form which can be committed later to program uses.

MILK EQUIVALENT, MILKFAT BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS):

WEEK OF OCTOBER 23 - 27, 1989 =	41.6	COMPARABLE PERIOD IN 1988 =	80.1
CUMULATIVE SINCE OCTOBER 1, 1989 =	133.5	CUMULATIVE SAME PERIOD LAST YEAR =	288.7
CUMULATIVE JANUARY 1 - OCTOBER 27, 1989 =	8,441.7	COMPARABLE CALENDAR YEAR 1988 =	8,063.7

CCC ADJUSTED PURCHASES BY REGION FOR THE WEEK OF OCTOBER 23 - 27, 1989 (POUNDS)

REGION	BUTTER		CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
MIDWEST	485,975	192,060	-0-	-0-	-0-	-0-	-0-
WEST	1,336,789	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES BY REGION SINCE 10/1/89 AND SAME PERIOD LAST YEAR BY PRODUCT (POUNDS) & MILK EQUIVALENT (PCT OF TOTAL)

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT	
	1989/90	1988/89	1989/90	1988/89	1989/90	1988/89	1989/90	1988/89
MIDWEST	1,598,777	3,474,565	-0-	-0-	-0-	-0-	24.7	24.8
WEST	4,956,286	9,579,198	-0-	1,934,350	-0-	-0-	76.6	75.2
EAST	(88,006)	-0-	-0-	-0-	-0-	-0-	(1.3)	0.0
TOTAL	6,467,057	13,053,763	-0-	1,934,350	-0-	-0-	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JULY 1, 1989

MFG. MILK: $/Cwt Avg. Test $10.60 3.5% $10.35
BUTTER: Bulk $1.2050; 1# Prints $1.2300
CHEESE: 40 & 60# BLK $1.1550; 500# BBL $1.1150
Process American 5# loaf $1.1975
NDM: Nonfort $.7900; Fort $.8000; Inst $.9350

CCC SALES LIST FOR OCTOBER 1989

BUTTER: U.S. Grade A or higher: Market price, but not less than $1.3250 per pound.
U.S. Grade B: Market price, but not less than $1.3050 per pound.

CHEESE: Effective July 1, 1988, Cheese sales offerings are withdrawn.

NONFAT DRY MILK: Effective June 24, 1988, Nonfat Dry Milk is no longer available for sale.

DEFENSE PERSONNEL SUPPORT CENTER PURCHASES FOR: OCTOBER 19 - 25, 1989
NORMAL REQUIREMENTS-NORMAL PROCUREMENT LEAD TIME (14 DAYS) - DELIVERED

	EXPORT		DOMESTIC	
	POUNDS	PRICE	POUNDS	PRICE
CHEESE:				
PROCESS AMERICAN SLICED				
CALIFORNIA			38,000	$2.1950

THE TENTATIVE CLASS II PRICES for November 1989 are: Group A, $14.03; Group B, $14.08; and Group C, $14.18. These prices are based on a November "Basic Class II formula price" of $13.79. The November basic Class II formula price is the September M-W of $13.10 plus a change of $.69 which is the milk equivalent per hundredweight change in product prices between September and October. (See page 8 of report Number 5, Volume 56 for an explanation of this procedure and the market groupings.)

WORLD PRICES: $/LB. FOB NORTHERN EUROPEAN AND SELECTED MAJOR WORLD PORTS (BF=Butterfat)(FAS - USDA)

BUTTER, 82% butterfat	$.8400 - .9075	NDM, Spray Process, less than 1-1/2% butterfat	$.8175 - .8625
CHEESE, Cheddar	$.9075 - .9750	WHOLE MILK POWDER, 26% butterfat	$.8400 - .9075

MINNESOTA-WISCONSIN MANUFACTURING MILK PRICES: 3.5% BUTTERFAT TEST, DOLLARS PER CWT.

YEAR	JAN.	FEB.	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEP.	OCT.	NOV.	DEC.
1987	11.70	11.27	11.03	11.00	11.00	11.07	11.17	11.27	11.42	11.35	11.34	11.12
1988	10.91	10.60	10.43	10.33	10.34	10.34	10.52	10.98	11.48	11.88	12.23	12.27
1989	11.90	11.26	10.98	11.09	11.12	11.33	11.76	12.37	13.10			

Western United Dairymen
Special District Delegate Meeting
August 11, 1989

RESOLUTION #2 8-11-89

SUPPLY MANAGEMENT

WHEREAS the support price for milk has been lowered to a level where milk production is near a supply-demand balance and

WHEREAS other supply management programs such as the milk diversion and milk production termination program and grain set aside program have also contributed to reducing production and

WHEREAS further singular price reductions would create extreme economic hardship on dairymen and

WHEREAS Commodity Credit Corporations inventories of uncommitted stocks are virtually zero and

WHEREAS the 1985 Farm Security Act authorized and established a Commission made up of dairymen to recommend future policy and

WHEREAS the Commission issued its final report and recommendations based on a combination of supply management factors.

THEREFORE BE IT RESOLVED that Western United Dairymen support the concept of a combination of supply control principles including:

1. Continued price cuts where warranted by excessive production

2. Either, a voluntary whole herd buy out, partial herd buy out, animal inventory control, or two tier pricing program to be automatically and simultaneously implemented if and when the Secretary exercises his authority to reduce price.

TESTIMONY
HOUSE COMMITTEE ON AGRICULTURE
FRESNO, CALIFORNIA
NOVEMBER 4, 1989
BY
JAMES W. GRUEBELE, PH.D.
CHIEF EXECUTIVE OFFICER
DAIRYMAN'S COOPERATIVE CREAMERY ASSOCIATION
TULARE, CALIFORNIA

The dairy situation has changed dramatically in the last couple of years. Except for the fat side, the dairy industry has achieved a market equilibrium. This is the first time this has happened in more than 10 years.

There are several reasons for the changed dairy situation:

1. The 1985 Food Security Act provided for a whole herd termination program including cows, calves and heifers. The program resulted in the removal of 12.2 billion pounds of milk on a milk equivalent basis.
2. The 1985 Act also provided for 50 cent per hundredweight adjustments in the support price if government purchases exceeded 5 billion pounds of milk on a fat equivalent basis. While the whole herd termination removed resources,the price provision helped to maintain a balance in supply and demand for milk
3. Third, the 1988 drought resulted in increased feed costs and is reducing total milk supplies in 1989.
4. The European Economic Community policy of tightened national bases resulted in an increase in world prices for non-fat milk powder. U.S. firms were able to compete for powder sales in the international market in 1988 and 1989.
5. The decreased milk prices helped to decrease the real retail dairy product prices resulting in increased consumption levels.

As a result of these conditions, the government purchases of non-fat dry milk powder decreased from over 1 billion pounds in 1983 to 0 pounds in 1989. Government purchases of cheese dropped from 832 million pounds in 1983 to 36 million pounds in 1989 and butter purchases dropped from 413 million pounds in 1983 to 357 million pounds in 1989.

Uncommitted government inventories of nonfat dry milk powder and cheese are non-existent.

The domestic powder market now ranges from $1.60 to $2.00 per pound compared to the $.79 support purchase price. The domestic cheese market is now $1.545 or 39 cents above the support purchase price. We find ourselves in a shortage situation on the skim side; but have somewhat of a surplus condition on the fat side.

The drought legistlation passed in 1988 required the Secretary of Agriculture to increase the price support level by 50 cents per hundredweight for a 3 month period from April 1, 1989 to June 30, 1989. The Secretary raised the price support for non-fat dry milk powder from $.7275 to $.79 per pound. The butter support price remained at $1.32 per pound. On July 1, 1989, the Secretary of Agriculture reduced the support price for powder from $1.32 per pound to $1.205 per pound. The non-fat dry milk powder support price remained at $.79 per pound. In effect there was a $.50 cent per hundredweight shift from butter to non-fat dry milk powder. This action was appropriate because of the relative supply and demand situation for butterfat and solids-not fat.

Consumers continue to shift their preferences from higher fat products to lower fat products. According the U.S. Dairy Situation, the total plain whole milk sales declined by 40 percent from 1970 to 1988. But, total sales of plain low fat milk increase by 267 percent over the same time period. Sales of skim milk in California are 17 percent higher this year than last year. The fat cholesterol issue is important in the dairy industry and it is certainly contributing to the surplus situation on the fat side. This situation calls for further shifts in the price from the fat side to the solids not fat side. This could be accomplished by increasing the support price for powder by 6.5 cents per pound and decreasing the support price for butter by 11.5 cents per pound. The reduction in the butter price would likely result in increased butter consumption as butter prices become more competitive with oleomargarine. The price reduction in the support price for butter may enable U.S. firms to export butter into international markets and that could result in a significant reduction in butter purchases by the U. S. Department of Agriculture. The reduction in butterfat prices would also encourage producers to reduce fat production and to increase solids-not-fat production. A change in feeding practices could affect the relative production of fat and solids-not-fat.

The 1990 Farm Bill

The 1985 Food Security Act helped to achieve and to maintain a balance in the supply and demand for milk. Since it was successful it makes sense to include similar provisions in the 1990 farm bill.

We recommend the following:

1. Maintain a program where the price support is adjusted upward or downward depending upon the levels of government purchases.

2. Provide additional discretion to the Secretary of Agriculture by requiring a range of price adjustments rather than a 50 cent adjustment as provided by the 1985 Act.

3. Permit the Secretary of Agriculture to shift value from butter to powder or vice versa anytime the supply demand conditions dictate rather than wait until the end of the year when the trigger mechanism might call for an adjustment in the support price.

4. We recommend a change in the measurement of the milk equivalent purchase of dairy products. The current method reflects only butter purchases and ignores the level of powder purchases. The method should be changed to reflect both butter and non-fat dry milk powder purchases. The staff at the Economic Research Service could provide the technical input to change the measurement technique.

5. If standby authority is required, our cooperative association would support a heifer buyout, a whole herd termination program or a voluntary paid diversion program. Such programs should not be required if enough discretion is given to the Secretary to adjust the support prices in response to changes in the purchase of dairy products under the price support program. Perhaps only if a special new technology like Bovine Sematatropin were widely adopted would it be necessary to implement one of these voluntary supply management programs.

In any case, our position is to use price rather than a mandatory supply management program such as that supported by some of the large midwest dairy cooperatives. One of these programs is called a 2 tiered price or some call it an inventory management program. These programs are not voluntary--they are mandatory and we are opposed to these programs.

A 2-tiered price program impedes sound business decisions. Under the price program used in the past, producers were free to expand herd size and some regions of the country increased milk production while other areas decreased milk production. The price approach allocated resources efficiently. The law of comparative advantage operated freely. A 2 tiered price program would be disruptive to the law of comparative advantage because production would be frozen nationally as well as regionally.

Other effects of the two tiered price approach are as follows:

A. A 2-tiered price approach provides a major barrier to new entrants

B. The cost of producing milk would be higher with a mandatory supply management program than with a price program. Under the price approach milk production could increase in regions of the country with lower milk production costs. Under the mandatory supply management approach, production is frozen regionally. Also, milk production increases would tend to occur on dairy farms with low production costs, with the price approach. Under the mandatory supply management program inefficient producers would likely be able to remain in production, and efficient producers would be prohibited from increasing milk production.

C. New technology would be stifled under a mandatory supply management program.

D. Producer herd size would stagnate. Herd sizes are likely to increase in all parts of the country and as this is done increased economic efficiency is achieved.

E. Consumer prices are likely to be higher with a mandatory supply management program than under the price approach. This also means that consumption levels would be lower with a program of mandatory supply management.

F. The U.S. dairy industry would be more competitive worldwide under the price approach than under a mandatory supply management approach. The price approach encourages new technology, more efficient levels of production, high cost producers would tend to exit the business, and the law of comparative advantage would operate at its maximum. Because of all these factors, U.S. costs of production are expected to be significantly lower with the price approach which means U.S. dairymen could more readily compete in international markets particularly as trade is liberalized.

G. The benefits of the mandatory supply management program are likely to be capitalized into some fixed asset, assuming that bases could be eventually transferred among producers.

H. The asset value benefits will be uneven:

1. Small producers who may be reaent entrants would not benefit as much as a larger producer.

2. Producers close to retirement would suddenly realize a windfall gain and would be the largest benefactors of a mandatory supply management program.

Finally, some of the cooperatives are recommending the implementation of a two tiered program separately for butterfat and skim. The argument is that there is a surplus of fat but a shortage of skim. The program would establish a base for butterfat and a base for skim. The fat surplus is estimated at 6.5% for 1989. This would mean an immediate implementation of a mandatory supply management program on the fat side. Producers who failed to reduce production levels of fat below a specified production level would be required to pay an assessment. The assessment level would be the difference in the support purchase price and the world price for butter. The assessment level would be as follows:

$1.205	support purchase price for butter
.73	world price for butter
.475	

The butterfat yield is 1.2 which means that the assessment would amount to $.40 per pound of butterfat for any production in escess of a specified amount. To avoid assessment the dairymen would be required to reduce milk production. But if dairymen reduce milk production, they will not only reduce fat production but skim production as well and the U.S. is currently short of skim. It is not possible to separate butterfat and skim, they are joint products. This clearly indicates a price problem rather than a problem of supply management. Secondly, the assessment would in part be based on the world market price which is controlled by European countries. It would be unfortunate to develop a domestic policy where the destiny of our producers depends on the policies of several foreign countries.

In conclusion, the dairy industry is close to a supply demand balance. The only area of concern is on the fat side. That situation can best be corrected by using the price approach. The price approach would enable U.S. producers to compete in international markets. Price is the best allocator or resources and the past few years proves again that the price system can be effectively used to maintain a balance in supply and demand.

Roy Sharp, Chairman
Agricultural Policy Committee
California Cattlemen's Association

On behalf of the members of the California Cattlemen's Association, let me thank the Committee for holding this hearing in California. We are vitally concerned with the direction and outcome of the 1990 Farm Bill and truly appreciate an opportunity to provide direct input here in California.

The impact of national farm policy and the ensuing legislation has been firmly driven home for the California beef cattle industry in the 1980's. We first came to appreciate the magnitude of the impact with the Payment-in-kind program of the early 1980's -- we are a grain importing state and the PIK program was expensive for us!

More recently, the Dairy Termination Program was structured to send dairy cows to market during an especially critical marketing time period for California beef producers -- the spring months, when we ship most of our stocker cattle off grass. We attempted to get the USDA to adjust the marketing period or exercise some constraints over sales during that critical period, to no avail.

Also within the 1985 Farm bill and in subsequent agricultural credit legislation, were a number of provisions on conservation practices that have affected our members. In particular, we have been affected by provisions relating to disposition of land in Farmer's Home Administration inventory and potentially by the Soil Conservation Plans required in the Farm Bill.

We have been affected by (in our view) the somewhat erratic application of the haying and grazing provisions of the Farm Bill. Not only were hay markets and possibly land values distorted by allowance of haying on set-aside acres, but Midwesterners received an unfair advantage where haying was allowed -- our set-aside was not in a condition to be hayed, given the lateness of the decision.

After the Farm Bill, but as a result of related legislation, we used the Emergency Feed Program to help offset losses due to drought in 1987 and 1988. Even here, however, we have reservations and would prefer an alternative to this direct intervention into our markets.

In sum, these provisions (just a few of many) have had a generally negative impact upon our California beef cattle industry. We are most concerned that the differential impact of various farm policies not be visited upon us again -- we have had about all the "help" from farm policies of the federal government that we can stand!

In this statement, we will focus on four areas in the 1990 Farm Bill of immediate concern. There are other policy areas to be treated in the Farm Bill that are of concern to us, but we will comment on them separately, and at a later date. The four areas we would like to comment toward are: 1) Dairy; 2) Commodity programs generally; 3) Conservation provisions; and 4) Emergency Feed program provisions.

The California Cattlemen's Association is the trade association representing the California commercial beef cattle industry. The 3,300 members of the Association own about 60 percent of the beef cattle in California and operate on over half of the 40 million acres devoted to livestock production of California's 101 million acres.

Dairy Title

After the economic debacle of the Dairy Termination Program, in terms of its impact on our regional beef cattle market, we are adamantly opposed to a repeat of that program. We remain convinced, as we were in 1985, that the best course for the dairy industry is a market-oriented, not a government-regulated, program. We accept the consequences of market-driven actions; we cannot abide the effects of regulatory actions pursuant to a federal program.

We recognize that adjustment to a market orientation will take time and that, in some areas of the country, the adjustment may have consequences for rural communities and rural economies. We suggest a three year phase-out of the price supports, research into efficiencies in milk storage and transport, and a shift to (temporary) direct income transfers in those areas where economic impacts are of concern.

Commodity Programs

Again, we urge a market orientation to commodity programs and believe that a step was taken in this direction with the 1985 Farm Bill. We must continue on that track, to assure that farm programs do not impact the market for feedgrains and other program commodities.

We are concerned over an inequity of the programs that permits non-U.S. buyers access to grain at below-market rates, but precludes domestic buyers from bidding under similar terms. As a grain-importing state, we are placed at a competitive disadvantage as a result.

We remain strongly opposed to haying and/or grazing on any land idled under the various commodity or conservation programs. We have seen the impact on our markets for both forage crops and livestock. We may also have seen an impact on land values, as the private person who must compete with this subsidized use of the land faces a lower return (hence a lower capitalized land value) than would occur without the competition from haying and/or grazing "program acres."

Conservation Provisions

We are concerned that an undue emphasis may be placed upon some conservation uses of land, to the exclusion of agricultural uses of the land. If some examples we have seen of "conservation easements" from the U.S. Fish & Wildlife Service on Farmer's Home Administration acquired property are any indication, the conservation provisions may be used to prevent farming rather than enhance conservation.

Any conservation provisions in the 1990 Farm Bill must resolve conflicts between agricultural uses and environmental issues. Rather than writing provisions to stop agricultural production, the focus should be on achieving a balance that includes continued production.

We oppose broad brush programs like tree-planting programs. We are faced with the prospect of such programs within our own state and believe them to be colossal wastes of taxpayer dollars. In our particular area, much of the research over what will grow where and under what circumstances is not complete, yet many would have us begin a major ($200 million) tree planting program. Much of the land the proponents would have us plant to trees is not suitable to grow the species they desire. With such questions of the California program, we would look askance at any such federal program as well.

Emergency Feed Program

As noted previously, we oppose haying and grazing of acreage idled under a farm program. We also believe the Emergency Feed Program should be changed to assure that it is not abused (and becomes, in fact, a market-oriented program). We advocate the use of catastrophic insurance programs instead of the various short-term and immediate disaster-relief program. In fact, we urge that such catastrophic-event coverage be considered for all commodities presently covered under existing disaster relief programs.

Conclusion

The California Cattlemen's Association remains committed to a market-driven agricultural economy that is unfettered by intervention from government programs. We acknowledge that achieving this goal will not be easy and that a transition period will be necessary. However, we are hopeful that the transition period can be minimized and that we will make substantial progress in the 1990 Farm Bill.

We urge that special care be taken to assure that the provisions of the 1990 Farm Bill are balanced and do not impose an economic burden on other agricultural industries. As we have come to realize, the Farm Bill is critically important to our industry, even though our direct stake is limited, because of the significant impact these programs have on us.

The California Cattlemen's Association works closely with the National Cattlemen's Association, and have communciated our concerns to their Washington, D.C. staff as well. We pledge to work with the Committee and our national association to achieve a constructive and forward-looking 1990 Farm Bill that will continue our course toward a market-driven agricultural economy.

Please accept our thanks and appreciation for holding a hearing in Fresno, California, the number 1 agricultural county in the United States! We would be happy to provide whatever support or information we can to assure a progressive constructive 1990 Farm Bill.

CALIFORNIA WOOL GROWERS ASSOCIATION

November 4, 1989

Committee on Agriculture
U.S. House of Representatives
Kika de la Garza, Chairman
Field Hearings on 1990 Farm Bill
Fresno, California

My name is Jay Wilson, I serve as the Executive Vice President of the California Wool Growers Association, representing over 2,500 sheep producers in the Golden State. The California Wool Growers Association is the oldest agricultural organization in California, organized 129 years ago to address wool marketing problems related to low market price and difficulties in transporting wool from California to Boston, the wool marketing center of the U.S. at that time. The California Wool Growers Association is a member of the American Sheep Industry Association representing over 125,000 sheep and goat producers nationwide.

I am here today to express our industries support for the extension of The National Wool Act of 1954 which expires in 1990 and will be considered for extension as part of the 1990 Farm Bill. The California Wool Growers Association and the American Sheep Industry Association support the extension of the wool and mohair incentive program in their present form.

The Wool Act of 1954 (Title VII of the Agricultural Act of 1954) changed the basic nature of the wool an mohair program from a price-support loan programs to the existing program which has no net cost to the American taxpayer. To offset the market depressing impact of imports, incentive payments were authorized based on production and the market price. These incentive payments have stabilized wool prices, making it economically feasible to produce wool.

Funding for the incentive payments is supplied through a tariff collected on imported wool. The tariff provides a continuing appropriation to the Commodity Credit Corporation. U.S. Sheep producers then receive payments based on the price they received for their individual wool or mohair clip. Under the provisions of the Wool Act of 1954, wool incentive payments can not exceed 70% of the amount of wool duties collected. Although the law entitles producers to as much as 70% of the tariffs collected, the payments for wool and mohair have only averaged 35 to 40 % of the amount available over the past few years. In 1988 alone, $435 million was collected on wool tariffs. Of that total, $130 million was paid to producers thus leaving a $305 million surplus in the U.S. Treasury.

Incentive payments are important to producers for two reasons. The payments provide a steady income for U.S wool and mohair producers and build stability into the U.S. wool market. When wool prices are higher, incentive payments are down, and vice versa. The National Wool Act helps the individual American producer compete against the marketing advantages of foreign wool boards.

The National Wool Act also contains another important feature which allows sheep producers, under authority granted to USDA and the Secretary of Agriculture, to implement a self help check off program. Each year a portion of each wool incentive check, determined by farmers and ranchers, is withheld for promotion, advertising and educational programs. This programs has been instrumental in providing the sheep industry with answers for improved management, helped the industry address critical animal health issues, increased demand for wool and lamb, lower costs and stabilized income. The National Wool Act was the original commodity check off program.

Through the combined strength of the incentive payments to producers and the self-help promotion programs, consumer demand for wool is up. In the past five years, domestic wool consumption has increased by 6.1%. Reacting to this expanding market, total sheep production is increasing at a rate of about 2 percent per year. Lamb production is also increasing, up 6 percent in 1988.

Small Sheep producers, particularly in Northern California, raise sheep for show, local markets or to meet their own table meat needs. The Wool incentive programs not only encourages these individuals to market their wool, but to prepare and market it properly. The proper preparation of wool is vital to making sure that California wool retains its reputation for quality. Producers that market wool containing non-scourable paint, polyprophaline strings or bags, excessive dirt or vegetative matter can lower the quality and price of the entire states wool clip. The promotional and educational dollars that are provided by The Wool Act through the check off program are helping our industry to educate new producers as they enter the sheep industry to properly prepare their wool. For many of these "farm flock" families the wool that they market is the only cash crop that they receive from their sheep.

Throughout the state, sheep are grazed on a wide variety of terrains and vegetation. Sheep pastures include the use of the foothills, deserts, mountains, alfalfa fields, produce fields and even vineyards. In almost every case sheep glean or graze areas that can not economically or environmentaly be used for any other form of agriculture. It is important that these areas be grazed, not only to provide for mans basic needs of food and fiber, but to enhance his environment. Grazing is an important fire control management tool when used to reduce the fuel load in California grass lands. Grazing is also an important wildlife management tool when used to help maintain the proper forage composition for wildlife.

Rural communities in California and throughout the west rely on our industry, and other segments of related agriculture, to help support their local economies. While most urban California counties boast of thriving economies, their rural counterparts usually have low wage rates, high unemployment and shrinking economies. Many rural counties in this state are facing hard economic realities such as hospital closures, substandard health services, library closures, teacher cutbacks and deteriorating public building and parks. Programs such as the wool incentive program not only benefit the ranchers, but also help pump money into the local economies where they live. Ranchers create employment opportunities, support local business through the purchase of supplies, equipment and services and help contribute badly needed funds directly to county coffers in the form of property taxes.

Although the wool Act is one of the lesser known commodity programs in the farm bill, the incentive program it provides is crucial to many farming communities. Wool and mohair sales contributed approximately $153 million to the nations rural economy in 1988, and the incentive program added another $86.4 million. In 1988, over $10.2 million worth of wool was produced in California, the wool incentive payment for all of the participants in the state added another $2.5 million to the states economy. The majority of that money went straight into local rural economies. Thus, the wool incentive payment is a powerful rural development tool in addition to the difference it can make to the individual producer.

Renewing the Wool Act will give the industry the financial stability it needs to continue promotion and increase production to meet the needs of the American public.

I would like to thank the chairman and committee members for the opportunity to speak and reaffirm the sheep industries strong support for the National Wool Act.

TESTIMONY ON THE
TARGETED EXPORT ASSISTANCE PROGRAM
BY THE
CALIFORNIA PRUNE BOARD

Mr. Chairman, my name is Richard Peterson, and I am the Marketing Director for the California Prune Board, a state marketing order representing California's 1300 prune growers and 17 prune handlers. California is the world's largest producer of dried prunes, supplying nearly 70% of the world's tonnage. The export market is critical to the California prune industry, accounting for 38% of total prune shipments.

In May, 1986, the California prune industry requested Targeted Export Assistance (TEA) to help offset unfair trade practices within the European Community (EC) consisting of subsidies to prune processors and guaranteed minimum prices to French prune growers. These unfair EC subsidies had encouraged French prune growers to rapidly increase production which created a surplus of prunes that had to be sold at artificially low prices. The 1988 French prune grower price of $1980 per metric ton was 2.3 times the projected $860 per metric ton return to California growers. California's price disadvantage was further widened by a protectionist EC 12% import duty on prunes.

Forced to compete with heavily subsidized, lower priced French prunes, California exporters simply could not afford marketing support in Europe. As a result, European consumer research revealed very low levels of consumer awareness and portrayed prunes as "The Forgotten Fruit".

In the Fall of 1986, the California prune industry launched a marketing program in eight European countries featuring advertising and sales promotion support for California prune brands supplemented by generic public relations activities. Over the first three years of the TEA program, these marketing activities were refined based upon evaluation research and expanded to Belgium and Japan. The results have been extremely positive with shipment increases averaging 27% from 1985, the year prior to the start of the TEA program, to 1988. (See Exhibit 1.)

Even more important has been the conversion from exports of low margin, bulk prunes to higher value, consumer packaged prunes. The prime example of this success is pitted prunes whose exports to the TEA countries increased by 58% from 1985 to 1988. (See Exhibit 2.) The major beneficiaries of this trend were the industry's three largest export markets: Japan, Italy and West Germany which increased by 76%, 240% and 58% respectively. The result has been not only increased exports but more profitable exports. Without the TEA Program this would not have been possible.

With this year's addition of Taiwan and Singapore, TEA supported markets now represent nearly 80% of total California prune exports. (See Exhibit 3.) The California Prune Board's

1989/90 $5.8 million TEA allocation is being supplemented by nearly $3 million in prune packer and grower funding plus over $500,000 in foreign third party cooperator funding.

The California prune industry and its overseas trading partners are grateful for the TEA program since without it the industry would have been faced with a continuation of the export declines experienced in 1985 and drastically reduced grower returns. As long as the unfair European Community subsidies exist, the Targeted Export Assistance Program must continue if we are to remain competitive in the world market. Mr. Chairman, the California prune industry strongly supports the TEA program and urges your Committee's support for its reauthorization in the 1990 Farm Bill. Thank you.

(Attachments follow:)

EXHIBIT 1

CALIFORNIA PRUNE BOARD

TOTAL EXPORTS TO TEA MARKETS

AUGUST 1 THRU JULY 31

(000 Tons)

	CROP YEARS				
COUNTRY	1985	1986	1987	1988	% CHANGE VS 1985
WEST GERMANY	6.4	9.4	10.3	9.5	+48
SPAIN	2.0	2.7	2.0	2.3	+15
ITALY	8.9	8.6	9.0	9.8	+10
UNITED KINGDOM	3.6	3.5	3.6	3.1	-14
SWEDEN	2.8	3.5	4.1	3.5	+25
DENMARK	1.9	3.4	2.5	2.8	+47
FINLAND	2.6	3.0	2.7	2.6	NC
NORWAY	1.4	1.7	1.8	1.9	+36
BELGIUM	.6	.6	.7	.7	+17
JAPAN	8.5	10.5	12.0	12.9	+52
TOTALS:	38.7	46.9	48.7	49.1	+27
Year-to-Year % CHANGE		+21	+4	+1	

10/24/89

EXHIBIT 2

CALIFORNIA PRUNE BOARD

PITTED PRUNE EXPORTS TO TEA MARKETS

AUGUST 1 THRU JULY 31

(000 Tons)

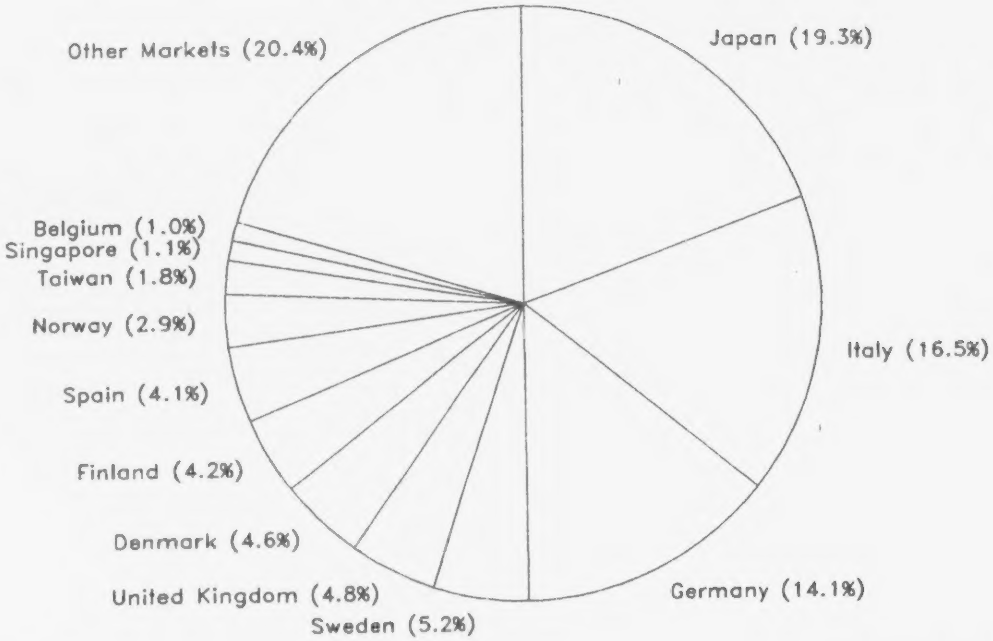
	CROP YEARS				
COUNTRY	1985	1986	1987	1988	% CHANGE VS 1985
WEST GERMANY	5.5	8.3	9.1	8.7	+58
SPAIN	.2	.3	.3	.5	+119
ITALY	.7	1.1	2.1	2.4	+240
UNITED KINGDOM	.5	.7	.9	.9	+74
SWEDEN	2.4	3.1	3.5	3.0	+24
DENMARK	1.5	1.9	2.2	2.2	+44
FINLAND	2.3	2.7	2.3	2.4	+6
NORWAY	1.2	1.3	1.4	1.7	+47
BELGIUM	.3	.4	.5	.5	+44
JAPAN	4.6	5.5	7.0	8.2	+76
TOTALS:	19.4	25.3	29.3	30.5	+58
Year-to-Year % CHANGE		+31	+16	+4	

10/24/89

EXHIBIT 3

CALIFORNIA PRUNE EXPORTS

AUGUST 1988 – APRIL 1989



BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

HEARING ON ISSUES RELATED
TO THE FORMULATION OF THE 1990 FARM BILL

SUBMISSION ON BEHALF OF
SUNKIST GROWERS, INC.

This submission is filed on behalf of Sunkist Growers, Inc. ("Sunkist") pursuant to the House Committee on Agriculture's October 19, 1989 request for private sector comments on the effectiveness of Federal agriculture development policies enacted pursuant to the 1985 Food Security Act and the reauthorization of these policies and programs in the 1990 Farm Bill.

Sunkist Growers, Inc. is a cooperative marketing association. Currently, Sunkist serves nearly 6,000 growers throughout California and Arizona.

Sunkist's comments are directed to the widely acclaimed "shining star" of the 1985 Food Security Act -- Targeted Export Assistance ("TEA"). As a participant in the TEA program since its inception in 1985, Sunkist submits these comments in support of the continuation of that program as a means of enhancing the United States' competitive position in the global agricultural marketplace.

I. The Targeted Export Assistance Program

TEA was created in the 1985 Farm Bill to counteract unfair foreign trading practices encountered by U.S. agricultural exports overseas. It was particularly intended to aid industries such as that of the California - Arizona citrus industry which had suffered from illegal foreign practices, but had been unable to secure meaningful redress through the dispute resolution procedures of the General Agreement on Tariffs and Trade ("GATT").

For almost twenty years, the California - Arizona citrus industry had been engaged in efforts under section 301 and its predecessor law to secure the elimination of the EEC's illegal tariff preferences. Although a favorable GATT ruling was achieved, and an agreement reached in 1986, the EEC market had already been lost.

For ours and like industries that were the subject of section 301 actions and in need of trade relief, Section 1124 of the Farm Bill required that priority TEA assistance be provided.

Of the export tools created or expanded by the 1985 Farm Bill to encourage U.S. agricultural sales overseas, TEA has provided some of the most impressive results despite its relatively low funding authorization of $110 million for FY 1986-88 and $200 million for FY 1989-90. Moreover, by authorizing export promotional assistance in the form of commodity credit certificates, TEA has helped U.S. agricultural exporters promote and expand their export programs abroad without requiring direct appropriations from Congress. Thus, TEA is significantly less costly to the U.S. government than other assistance programs that would require direct expenditures.

Another unique feature of the TEA program is its private sector contribution requirements. By requiring industry and private sector participants to match FAS funds, TEA has generated unprecedented participation and monetary support from the private sector as a means of achieving export objectives that are held in common by the U.S. government and industry members.

Finally, by authorizing both generic and branded export promotional programs, TEA provides an effective means of encouraging exports of all commodities, including bulk, high-value and specialty products.

During fiscal year 1988, FAS signed TEA agreements with 38 organizations. The actual number of participants, if private firms and smaller producer organizations cooperating with state departments of agriculture and major commodity groups are counted, is almost 200. This has enabled virtually every state in the nation, from Alaska to Florida, to benefit from TEA assistance.

II. The Success of the TEA Program

A direct measure of the success of the TEA program is the exports gains achieved by the many commodity participants. In the program's first year, exports of 21 agricultural commodities promoted under the TEA program showed sales increases in chief target markets averaging more than 48 percent. This success has continued with new export gains realized each year by TEA participants.

As one of the initial benefactors of the TEA program, Sunkist has been able to promote and expand its export sales in markets such as Japan, Korea, Taiwan, Hong Kong and Malaysia as a result of the TEA program. Overall, U.S. fresh citrus exports to those countries have increased by 50% since 1985.

By using TEA assistance, Sunkist was able to overcome unusually poor crop conditions last year by promoting and targeting foreign markets for excess fresh fruit sales. While domestic revenue from fresh fruit sales decreased by over 2%, revenue from exports increased by over 15% as a result of aggressive advertising and promotional campaigns designed to overcome the crop conditions and increased retail demand for citrus. TEA monies allowed Sunkist to multiply advertising and promotional efforts in foreign markets to the extent that export sales were over $40 million greater than if exports had deteriorated in line with domestic sales.

For California - Arizona citrus, success has been most notable in the Pacific Rim market where TEA has helped the U.S. industry replace and overcome losses incurred in the European market as a result of subsidized EEC production. Largely through efforts of TEA promotional campaigns, the value of California - Arizona navel oranges to the Pacific Rim increased by nearly $6 million in 1989. TEA funded promotional and advertising activities were used to increase demand for different size fruit in Australia, expand the traditional seasonal boundaries in Japan, and promote the exceptionally good eating quality of California - Arizona citrus in all Pacific Rim export outlets.

In Korea, TEA efforts have helped expand the market for frozen concentrated orange juice (FCOJ). Historically, the Korean government has limited U.S. sales of orange juice by imposing an import quota. Through TEA assisted promotional programs that began in 1987, Sunkist stimulated consumer demand for orange juice which helped force the Korean government to relax its import quota. As a result, Sunkist expects if FCOJ sales to increase five-fold from $3.6 million in 1987 to over $20 million this year.

III. TEA Monies Are Vital Today to Combat Increase Foreign Competition

With unfair foreign trading practices continuing to impede access to foreign markets, TEA is vital to maintaining and strengthening the United States' position in the export market.

The California - Arizona citrus industry continues to face intensified unfair competition from foreign suppliers. With the European market all but lost to low-priced Mediterranean products due to the European Community's illegal subsidy programs and tariff preferences for Mediterranean suppliers, California - Arizona citrus exports have had to turn to the Pacific Rim as their main export outlet. Even in the Far East, however, U.S. product is being displaced by subsidized, lower-priced product from Spain, Italy and Southern Hemisphere producers. Moreover, in lucrative markets like Japan, Korea and Taiwan, tariff and nontariff barriers sharply restrain levels of exports. In Japan, the industry's largest export market, high tariffs and a quota restrict access for fresh oranges. The government of Korea bans the importation of fresh oranges, imposes excessive 50% tariffs on fresh grapefruit, lemons and orange juice imports and has used unjustified phytosanitary concerns to block trade where border protections have been lifted. Taiwan likewise imposes excessively high tariffs on all citrus items. Sunkist supports the continued authorization of the TEA program as a means of offsetting these practices and improving our competitiveness in the world marketplace.

The TEA program is the only form of government assistance received by the California - Arizona citrus industry and other agricultural sectors, particularly specialty crops, that are suffering from illegal foreign intervention and protection.

Under the United States' Uruguay Round agricultural proposal, promotional programs such as TEA are considered to be "green light" or acceptable internal support programs, which do not distort trade. Congress' continued support of TEA is thus in line with the United States' current proposal for global agricultural reform.

Finally, at a time when Congress is actively looking for ways to enhance agricultural export gains, challenge unfair trade practices, relieve the U.S. trade deficit and avoid budgetary outlays, TEA remains a creative and highly effective way of addressing these concerns.

IV. Conclusion

With unfair foreign trading practices showing little, if no signs of abating and GATT relief measures ineffective in providing meaningful economic relief, U.S. agricultural commodities are now more than ever in need of government assistance such as TEA to help them compete in the global trading arena. Sunkist urges this Committee to recommend the permanent authorization of the Targeted Export Assistance program.

Respectfully submitted,

William K. Quarles

William K. Quarles, Jr.
Vice President
Government Affairs
Sunkist Growers, Inc.

PREPARED BY THE
LEGISLATIVE DEPARTMENT
CALIFORNIA STATE GRANGE

1990 FARM BILL

Mr. Chairman and Members of the House Committee on Agriculture. I am Naomi Fletcher, Legislative Director of the California State Grange.

Since its beginning in 1867, the Grange has been deeply involved in the development of agricultural policy and its impact on the quality of life and socioeconomic conditions of those who live in rural America. The National Grange represents 325,000 members in 42 states, including over 33,000 members that reside in California.

Grange members are pleased to have this opportunity to share our thoughts with regard to US Farm Policy. Without question, one of the primary responsibilities of the Federal government is to assure that citizens of this country have a safe, wholesome and dependable supply of food at reasonable prices. The problem before us is attempting to achieve this broad policy objective while facing the inherent instability of production agriculture.

The Grange feels that the cornerstone to US Farm Policy must lie in the well-being of the family farm. Just as the economic well-being of the US economy is generated by family businesses, the same holds true for the farm sector. Stability, efficiency, and strong rural communities are all generated when US Policy supports family farms.

PRICE SUPPORTS

The Grange feels the 1990 Farm Bill should meet the following broad objectives:

A. Providing income protection for family farmers

B. Allowing crops to be competitive on domestic and world markets

C. Providing safe and adequate food supplies

D. Promoting an efficient farm sector at a low cost to taxpayers.

In viewing the 1985 Farm Bill, it is clear at first view that these objectives were met with some degree of success. Net farm income increased from less than $40 billion in 1986 to an estimated $50 billion in 1989. US Farm Exports have also rebounded in the same time period, improving from over $10 billion to approximately $38 billion. At the same time, the cost of these programs has declined from a high of $26 billion in 1986 to an estimated $13 billion this year.

However, there are some very serious distortions in these programs that need to be addressed. There is no link between farms in need and government payments. At the height of the farm crisis, only 17% of farm payments went to farmers in distress. The average subsidy for large-scale farmers, those that have gross sales in excess of $500,000, was $105,000. Farmers with sales of $40,000 to $99,000 received an average subsidy of only $15,000, while small farmers, those with gross receipts of less than $40,000, received just $4,000.

The current structure of commodity support programs is inefficient as they provide income and price support for virtually every unit of production regardless of whether or not they contribute to a surplus. The Grange recommends a "targeted marketing loan" concept that is designed to assist moderate sized, commercial family farms. Projected savings from this approach should be fashioned into a humane targeted income or debt assistance program that is based on the individual farmer's needs.

TRADE

Perhaps the most important provision in the Farm Bill to California farmers and ranchers is the trade provision and the corresponding GATT negotiations. California grows more than two dozen crops that export in excess of 50% of their production overseas. It is absolutely essential that the US take an extremely strong and aggressive position with regard to agricultural products at the GATT negotiations. We must not be tempted to trade away our agricultural products for some perceived benefits in other economic or diplomatic sectors.

Without question, agriculture makes the largest positive contribution to our trade balance. The agricultural sector must not be compromised, but enhanced.

The Grange recommends that the EEP and TEA export programs should be continued and strengthened until such time that there is a material reduction in foreign subsidies for agricultural products that directly compete with US products.

RESEARCH AND EXTENSION

The Grange has always supported the three part system of agricultural research, land grant colleges and agricultural extension. We feel it is absolutely necessary to redouble our efforts to encourage research, its application and dissemination. Agriculture is under incredible pressure to reduce the use of pesticides and at the present, there are many instances where there are not viable alternatives. Research in this area needs to be given the highest priority.

FOOD SAFETY

While traditionally the Farm Bill has not dealt with this subject, the wholesale loss of pesticides will most certainly cause wide-spread dislocations and interruptions to the orderly movement of agricultural products to market. This will precipitate a reduction in the variety, quantity and quality of agricultural products available which will in turn cause domestic prices to increase, especially to America's poor.

The leadership to protect the integrity of the US food supply must be forthcoming. If it would be deemed proper to include this in the Farm bill you would have our support.

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

Field Hearing
November 4, 1989
Fresno, California

State of A. J. Yates
President, Fresno County Farm Bureau
Chairman, California Farm Bureau Sugar Advisory Committee

Mr. Chairman and Members of the Committee, my name is A. J. Yates, and I am President of the Fresno County Farm Bureau. I am a diversified farmer from Kerman, which is located approximately 20 miles west of Fresno. I appreciate the opportunity to appear at this hearing and express Farm Bureau's views regarding the 1990 Farm Bill. I would like to use the few minutes I have been allotted to discuss the Sugar Program.

Mr. Chairman, sugar beet producers in California and throughout the United States are efficient. During the life of the 1981 and 1985 Farm Bills, U. S. production has averaged 20 tons per acre, and California has averaged 25.2 tons per acre. This compares to world sugar beet production of about 15 tons per acre. A recent USDA report indicates that, in cost of production, the U. S. ranks seventh lowest out of the 31 beet producing nations throughout the world.

Mr. Chairman, you and your committee are meeting in one of the major sugar producing regions of the United States. In the three-county area of Fresno, Madera, and Merced there were nearly 50,000 acres of sugar beets grown in 1988. This acreage produced 27.2 tons of sugar beets per acre, which shows the production capabilities of our area when compared to the 15-ton average world production. Our acreage yields approximately 180,000 tons of pure white sugar. This confirms the claims of efficiency that U. S. producers have long and proudly made.

Unfortunately, all sugar producing nations in the world maintain their sugar industries under some type of protective program. Our producers can compete with other producers but not with other governments. Consequently, until world sugar trade is reformed, it is important that the U. S. sugar program be continued in some form similar to the present one.

The philosophy behind the present sugar program merits continuation because the program has protected U. S. sugar producers without need of any net federal expenditures. As the federal budget deficit will certainly be the limiting factor in what can be achieved with the 1990 Farm Bill, it simply makes sense to continue operating the sugar program in a budget-neutral manner. Of course, the recent GATT ruling against the U. S. complicates the matter, but we are hopeful that a GATT-acceptable modifications to the import quota system we now have can be found which can be implemented in a "no-net cost" manner.

There are other reasons for continuing the sugar program besides the fact that it doesn't cost the government anything. For one, the sugar industry plays an important role in the economies of California and the U. S. as a whole. In California alone, there are 2,500 farm families involved in beet sugar production and 6,000 full-time farm employees. Across the U. S., there are 14,000 farm families involved in producing sugar and 115,000 workers. And, the benefits don't stop there. For example, the eight sugar beet processing facilities in California employ 3,500 full-time and seasonal workers whose annual wages add $71.2 million to the state's economy. If you look at total direct and indirect employment, it amounts to more than 25,000 people state-wide and 361,100 in the United States.

Another benefit of the sugar program is that it eliminates the necessity of annually purchasing 8.3 million tons of foreign-produced sugar. This would add substantially to the U. S. trade deficit.

Mr. Chairman, I am advised that the various producing segments of the sugar industry are working to come up with a consensus recommendation for inclusion in the 1990 Farm Bill. I would like to conclude my remarks with two points I feel should be incorporated in the next Sugar Program:

1. There should be a "no-net cost" provisions, as I have already described; and

2. There should be no downward adjustment in the loan rate. The 18 cent rate that was established in 1985 does not go as far now as it did then, what with the increased production costs that farmers must bear and a dollar diminished by five years worth of inflation. Indeed, a strong case could be made for increasing the loan rate.

Thank you for considering these comments.

TESTIMONY OF

DENNIS M. SERPA
before the
HOUSE COMMITTEE OF AGRICULTURE

Hearings on the 1990 Farm Bill
November 4, 1989

Mr. Chairman, members of the committee, I want to thank you for this opportunity to submit testimony as you begin the lengthy process of putting together the 1990 Farm Bill. My name is Dennis M. Serpa and I am from Turlock, California. I am a dairyman milking 400 cows and farming 500 acres. Today I am speaking for the California Association of Family Farmers Dairy Committee which is a grass roots committee of dairy farmers that have been working to educate other dairy farmers and legislators on proposals for the 1990 Farm Bill. I represent dairymen that belong to California Association of Family Farmers and Western United Dairymen and who are interested in making changes for the long term good of the dairy industry.

We are concerned because we have suffered extreme hardships caused by the 1985 Farm Bill. I know some people will say the 1985 Farm Bill worked using the present level of supply and demand as evidence. In actuality the diversion program decreased milk supplies temporarily and then production increased and we paid for the program through assessments. The Dairy Termination Program also decreased cows but production still increased and the dairymen paid a large share of this program. After these programs, production still increased. Why? Because farm prices were decreasing and to stay in business you must have cash flow, therefore you add cows and increase income. The drought had more to do with lowering production than any government program ever could accomplish. The export demand has also had a positive impact on our surplus production. This is due to the fact that all major dairy producing countries have had supply management program in place for some time. I think if we look at the world dairy industry with open eyes we will see how supply management can have a positive impact on our United States dairy industry.

In Canada and Europe, dairy farmers are receiving almost twice as much for milk as United States dairy farmers. Why? Because of supply management! They control production to meet demand. That extra money goes a long way to make the industry viable investments that can stimulate the economy and relieve the fears of bankers.

Here under the 1985 Farm Bill the government thought they could control production with price, but I hope everyone here understands that it does not work! Price cuts stimulate production.

If you look at the chart in the appendix you will see what has happened to farm prices and consumer prices over the past 14 years. You can see there is no correlation between the two over the past 7 years. When I first saw this chart in a National Milk Producers Federation newsletter the question entered my mind as to what happened to all of those dollars difference between farm price and consumer price over several years time? My guess is dairymen have been working too hard trying to survive the last seven years instead of trying to figure out where all the money went. Consumers should be up in arms as much as dairy farmers. I know Congress is concerned about consumers and their reactions to higher prices, but from the chart you can see that they are paying higher prices for their dairy products and the dairymen are receiving less, many times less than the cost of production.

The last statistics I saw stated that the consumer is paying 14% of his paycheck for food. I know the government has a cheap food policy but this is why the economy is in such bad shape.

This leads up to what we're really talking about, Parity! When you bring up this issue many people tell you that parity is dead. The only place it's dead is in agriculture-- our buying power is at an all time low. Many people will tell you that when we had 80% of parity in 1981 that is what caused our overproduction. If we had supply management at the time we would have a healthy industry today. Then price cuts that followed led to higher production so as to increase cash flow of the operations.

Farmers have become wizards at keeping old, worn out equipment running against all odds. The average age of my tractors is 21 years old. The average age of my automobiles and trucks is 13 years old. This is not by choice but because of low farm prices. I don't see much difference in the age and condition of most of my neighbors machinery.

Today farm prices are about 50% of parity-- just think of what would happen to the economy if farmers were receiving even 75% to 80% of parity. That money would stimulate the economy by farmers replacing equipment and repairing facilities at an unprecedented rate.

If farmers were making money they would also be sending in tax dollars to help with the deficit. But again this could not happen unless you had a sound supply management program with parity pricing.

Even in todays market which has taken a jump in the last couple of months, I have neighbors whose facilities are worn out and need replacing, but they still have to add cows in order to justify the capital outlay. The banks will not lend money if they continue to milk the same number of cows. Today you have trouble finding a contractor who has time to take on more work. People are expanding now to prepare for the tough times ahead. Last May an article appeared in Dairy Herd Management. According to the Food and Agriculture Policy Institute (University of Missouri and Iowa State University), support prices would drop to $8.60 by 1993. This prediction was based on continued production increases. This should be all the more reason people would want supply management.

One year ago when we started thinking about 1990 Farm Bill, we were told that by 1990 we would be getting more money for our milk so people would become complacent and this would result in a status quo 1990 Farm Bill. I didn't believe this, but its true. We don't see any major break through in new ideas for the dairy industry. The major lobbying groups are proposing very minor changes in the 1985 Farm Bill. If dairymen don't wake up, they can look back at the last 5 years and see what the future holds for them.

A common term everyone is using today is that the 1990 Farm Bill should be Market Oriented. I don't really know what others mean by this, but to me it means keeping supply in line with demand at a price the market will bear. What better way of doing this than with supply management.

Another issue which is a factor in the dairy industry quest to become more efficient is the Bovine Growth Hormone or Bovine Somatotrophin. When and if this comes on the market it will surely increase our production and decrease our sales thereby triggering more government purchases of surplus production. It costs me about $1000.00 a month to advertise and promote milk as being a natural and wholesome product. These dollars would be wasted if consumers stop buying milk products because of B.S.T. The chemical companies should be held responsible for proving the consumers fears are unfounded beyond a doubt!

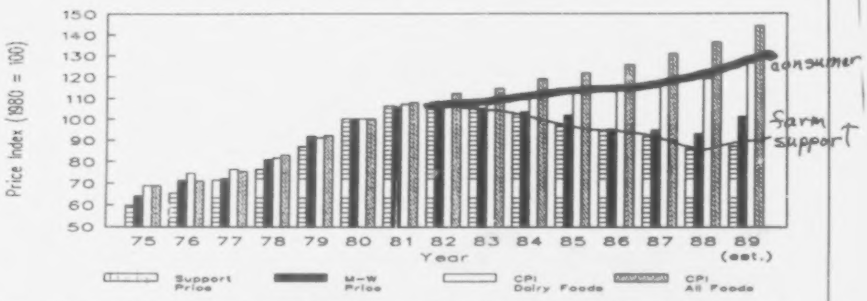
I believe we have a great opportunity now to be writing a 1990 Farm Bill that would solve some of the problems of family dairy farmers. Production is in line with demand and prices are up. Now is the time for a Farm Bill with a fair market price and a two-tier supply management program controlled by an elected dairymen's board. This would address the problems of the past and we could head into the future with a positive step for dairy farmers. This program would bring stability to dairymen, processors, and consumers and allow everyone to plan a sound future.

We agree with Congressman Stenholm's recent statement that supply management is not a dirty word. We have read Congressman Obey and Kastenmeir's bill H.R. 1137 and we think they are headed in the right direction in this proposed bill. The National Dairy Act proposal (in appendix) from the National Save the Family Farm Coalition, was put together by dairymen from across the nation, California to New York, and follows in line with H.R. 1137. We believe this draft proposal has the basic principles to start the 1990 Farm Bill.

Gentlemen, I thank you for your attention today and I would hope that you will take into consideration the proposals that our grass roots dairy farmers have put together.

(Attachments follow:)

Farm Milk Prices and Consumer Costs: A Historic Perspective



From 1975 until 1982, consumer prices for dairy products climbed at the about the same rate as milk prices. However, since 1982, the milk support price has declined over 23 percent. Farm milk prices also declined over the same period of time. Despite these real declines in farmer prices, consumer prices for dairy products have continued to increase.

The lesson to be learned: When farm milk prices rise, consumer prices rise, and when farm milk prices fall, consumer prices continue to rise! Consumers pay when farm milk prices go up, but they have not reaped the expected benefits when farm prices decline.

SEPTEMBER 1989 BULLETIN

WUD PRODUCER PRODUCTION CONTROL SURVEY

We appreciate the time some of you took to fill out the survey. Surveys are difficult to develop so that options do not get confusing. We received outside help in putting this one together and still there was concern about the choices. Some producers marked all the blocks while others didn't sign them. As indicated they were never intended to be a vote. They were only to be used as information. Our evaluation is as follows:

Members - 1496 Responses - 189 Percent of Membership - 13.2
Strict Prod. Cont. 77%
More Government help - Yes - 118 No - 35
Animal Inventory - 35 Continue 1985 Farm Act - 20
Strict bases - 67 None of the above - 10
Two tier - 40

This shows a strong trend toward bases over the past few years and now a two tier base plan is included in the options and delegates have elected to support. The District responses were as follows:

20% 64% 12%
(A) Animal Inventory (B) Strict bases (C) Two Tier (D) Continue 1985 Farm Act (E) None of the above

District	% Response	A	B	C	D	E
1	17.2	3	8	5		
2	8		2	4		1
3	6.3	2	4	2	1	1
4	16.5	6	8	5	2	
5	13	7	15	8	2	3
6	15	5	16	10	3	
7	11.9	4	1	1	7	
8	11		8	4	2	3
9	6.2	4	1		2	
10	8.8	2	2	1	1	1
11	18	1	2			1

DRAFT PROPOSAL 3/20/89

NATIONAL DAIRY ACT

This discussion draft of a National Dairy Act is being proposed by a coalition of farmers from different regions of the country. The goal of this program is to establish a long-term supply management system which is controlled by farmers. The program is based upon the principles of fair market prices, targeting to family-sized farms, and regional equity.

The program is designed to establish an overall national supply management system which has general provisions that cover all farmers, and allow those regions that wish to do so to establish a regional program which is more detailed in its provisions and more closely controlled by farmers in that region. In drafting this proposal we believe that there is merit to designing a program that allows regions to exercise a fair level of local decision-making on key family farm targeting issues, while still preserving the basic goals in all regions of the country.

Nothing in this bill shall be interpreted in such a way as to impose any economic hardships on family dairy farmers whose total milk production in any consecutive 12-month period is less than either; a) 1.5 million pounds; or, b) less than 25 percent of the average production of his or her region, whichever is greater. For the purposes of this bill, the term demand shall be defined as "the processor demand for raw milk in the region."

SECTION I: ESTABLISH A FAIR BASE PRICE

A. A national base pricing system will be established. The milk support price for milk produced within a producers annual base will be set a 75% of parity, and will increase by 3% of parity each year for the next five years. The Federal Milk Marketing Order System will remain in place. Price differentials will be reviewed by the National Dairy Board to determine if they accurately reflect current production and transportation costs.

B. No region or federal order system in the country will be allowed to develop and maintain a class of milk priced below the federal support price.

SECTION II: FARMER CONTROL THROUGH FARMER-ELECTED REGIONAL AND NATIONAL DAIRY BOARDS

A. Local Administration of Supply Management Programs

County ASCS Committees will be responsible for local administration of the regional supply management programs. Dairy producers in each county will elect a separate Dairy Committee who are active dairy producers. This Dairy Committee will be responsible for decisions concerning base allocation and appeals. Counties that have fewer than five active dairy producers shall join with other counties in order to compose an adequate Dairy Committee. This combined Dairy Committee will serve dairy producers in the combined counties.

This committee shall consist of three dairy farmers with one year terms, limited to two consecutive terms.

B. Farmers in each region will elect a regional Farmer/Consumer Dairy Board to develop and supervise the administration of programs and referendums under this Act. This Board will also monitor and review price increases at the retail level. This board shall consist of six active dairy farmers and three consumers. Members of this board shall serve 3 year terms limited to 2 terms. The first election shall be implemented on a staggered basis. Nominations and voting will be based on ASCS procedure.

(B)(1): In order to protect their producers, regional Dairy Boards shall administer the national supply management program. These producers must be approved in a referendum by a majority of producers in that region. No bloc voting will be permitted. Regional programs must follow strict guidelines to provide for family farm targetting, entry of beginning farmers and non-monetary transfer of base between farmers. Regions may add additional provisions as are appropriate to their area.

C. Representatives to the Regional Dairy Boards will annually elect, from their own ranks, a National Dairy Board, which will provide general oversight to the administration of the national dairy program. The National Dairy Board will monitor CCC and ASCS actions and can review changes in program regulations, will serve as the final level of appeal, and will annually determine the estimated production levels needed to balance national dairy production and demand. This board shall consist of one farmer member from each region. Funding for all dairy boards will be the responsibility of USDA through ASCS.

SECTION III: ANNUAL NATIONAL BASE ALLOCATION

A. The Secretary shall divide the country into not less than seven and not more than eleven regions based on historical production and marketing patterns, subject to the approval of the National Dairy Board once it is established.

B. The National Dairy Board will make an annual determination of the amount of increase or decrease in production which is needed to meet the projected demand for dairy products in the next year, allowing for the required CCC purchases for existing food programs, government usage, and adequate supplies for food reserves.

C. Regional Production Bases - A regional production base will be established for each region based on the sum total of the national base of its producers.

D. Initial Transition Period - To allow for appeals and special circumstances during the first two years of the program, 1% of the total national base will be allocated for use in appeals and emergency base adjustments. During this transition period, producers in regions which have held production within their regional base will not have their base reduced by more than this one percent.

E. Annual Regional Base Allocation - Every region shall set a cap based on the economic and production needs of that region. For the first year of the program, in case of increased or decreased national demand, regions will share the increase or decrease equitably. All future increase or decrease in demand will go to the region where increase or decrease is required. All base not used would go back into the pool. Family transfer is not restricted. If a herd is sold, the base goes back into the pool.

F. Production Year - The annual production year shall be based on a calendar year that begins on July 1 and ends on June 30th.

Section IV: ESTABLISHMENT OF PRODUCTION BASES:

A. Individual Bases
Each existing producer will receive a production base equal to either:

1) their previous year's production, or;

2) the average of their last five years of production, after eliminating the high and low years.

B. Transfer of Production Bases Between Producers

1) When a producer ceases their dairy operation their production base reverts to the county pool

2) Production bases may not be sold or leased except in regions where "class I monetary bases" have previously been established. Transfer of these class I bases must be in accordance with the provisions of this bill.

3) Producers in regions which are in a deficit supply situation may arrange for temporary base exchanges (up to one year) between producers in order to maintain a stable production base for that region.

C. Allocation of New or Returned Base

Allocation of new or returned base shall be in the following order:

1) Transfer of bases between family members shall be automatic. Family members shall be defined as spouse, parents, siblings, children, and grandchildren.

2) First priority in allocation of base will be to "new milk producers" purchasing the production units (i.e., cows and/or farm). The term "new milk producer" means someone who has no milk marketing history and/or someone who has returned their base to the county pool.

3) To beginning dairy farmers in a county (at least 25% of all new and returned base must be offered to beginning farmers). The term `beginning milk producer' means a milk producer who is in the process of establishing a milk production operation and who has not assumed the full control and risk of such operation for longer than 5 years.

4) To existing producers below the cap in a county who apply for it equally.

5) If a county is unable to allocate new or returned base to producers within that county, that base may be allocated by the regional Dairy Board to qualifying producers within the state, and finally to qualifying producers within the region.

6) If a region is unable to allocate new base to qualifying producers within the region, that base will be distributed equally among other regions.

7) No new or returned base shall be allocated to corporations and non-farm investors.

8) Dairy producers who participated in the Dairy Termination Program may reenter the dairy business as new or beginning dairy producers.

SECTION V: OVERBASE PENALTY

A. Milk produced in excess of a producer's annual base will be assessed a levy which will reduce the actual price received for excess production to 25% of the support price.

B. The National Dairy Board shall have sole authority to increase the penalty costs which shall apply to all regions equally.

C. The 75% of support price that the producer does not receive due to over-production shall be directly allocated for purchase of dairy commodities for government food assistance programs.

SECTION VI: COMMODITY CREDIT CORPORATION/DETERMINATION OF INVENTORY.

In determining total national milk inventory levels, CCC purchases will be calculated on net CCC purchases pounds of milk equivalent less CCC pounds of milk equivalent sold either to the commmercial market or to government programs. CCC purchases used in government programs will be considered a part of the "National Utilization".

SECTION VII: FOOD RESERVES AND COMMODITY DISTRIBUTION PROGRAMS

Adequate emergency reserves of dairy products will be maintained to support necessary long-term and emergency food relief programs, and these reserves will not be considered to be surplus production. This level is determined to be not less than 3 billion pounds milk equivalent.

Testimony:

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Rep. National Cotton Growers Alliance

National Vice President /Member American Agriculture Movement

Cotton-Grain Farmer

To:

U. S. House of Representatives

Committee on Agriculture

Fresno, CA

November 4, 1989

Subject:

Issues related to formulation of 1990 Farm Bill

Overall effectiveness of Federal agriculture and rural development

of the Food Security Act of 1985.

Chairman de la Garza and members of the committee. Welcome to California, whose 84,000 farmers and ranchers produce and supply the nation with over 25% (twenty-five) of the table-food consumed in America.

From the viewpoint of the nation's food and fiber producers, to say that the consumer oriented Food Security Act of 1985 is a disaster is nearer the truth than the opposite view.

Let us examine the facts:

1. Farmers continue to use up their equity on land and assets at an alarming rate that started in 1980. Until we understand that you cannot substitute credit for profit, this trend will continue. I predict within the next decade the American family farm as we now know it will no longer exist. The average age of the farmer today is 56 years. You do not see young people in the numbers needed to sustain our nations farms in the future. The only way a young person can gain entry and own a piece of ground is to inherit a farm or marry someone who has inherited a farm. With proper farm legislation, we could once again be the nation's largest job producing industry instead of the biggest job taker.

Mr. Chairman, let me illustrate to you the latest figures on the off farm income and jobs. For example, Texas, which leads the nation in the numbers of farms, 188,000 last year, also leads the nation in off farm earnings with more than 5 billion. That's well above the states net cash farm income of last year of less than 3.9 billion; California, 2.66 billion off the farm and a net cash farm income of 6.54 billion with an estimated 84,000 farms. Ohio, Missouri, Indiana, Kentucky, Tennessee, Illinois, Iowa, Oklahoma 1988 totals of off farm earnings of 51.7 billion. Total net cash farming 59.9 billion. It's a disgrace that the American farmer has to work in the cities to subsidize his farming operations to keep this nation fed.

2. Farmers and Ranchers are leaving the land at a drastic rate due to land forclosures, bankruptcies, suicides (six in Oklahoma last week) because of unsound economic conditions. Simply stated, when cost of production exceeds income, a farm ceases to exist. The only action that has sustained the family farm economy today are the subsidy programs on major commodities. That causes a more stable crop pattern and stops extreme shifts from one crop to another which completely collapses the farm economy. The American taxpayer is not going to continue to pay for these agriculture policies.

Agricultural production will become the solution to the American economic problem if policies are changed and followed. We in agriculture can provide the jobs that are so badly needed in Industrial America. When the cost of production plus a reasonable profit is achieved the first year, a minimum of 250,000 new tractors will be purchased, new vehicles, machinery, capital improvement. This produces jobs for coal mines, steel mills, manufacturing plants and all segments of the economy. The solution to the agricultural crisis and thus the national economy must be achieved by reducing the cost to the taxpayer. The farms must become a taxpayer and not a tax taker. This can be achieved by doing away with deficiency payments and subsidies with an efficient government commodity loan program (70% of parity), supply management coupled with a sound import - export program. Details of these programs are attached to this testimony.

Last and most important, there must be legislation and rules put in place to control the manipulation of farm commodity prices by the traders on the Chicage Board of Trade and Cotton Exchange and the New York Exchange. The soybean disaster at the C.O.B.T. cost the soybean farmer millions of dollars in reduced prices. I know that Congressman Glen English and his committee have devoted two full years trying to sort out this mess. This problem could be solved by controlling speculative short selling and trading. All trading should be based on the rule that a first sale must be an actual commodity. It makes no sense to sell a commodity you do not have or buy a commodity that does not exist. The big loser in this system is the producer.

Mr. Chairman, I hope that all our efforts on the 1990 Farm Bill are not in vain because the Administration's Agriculture Secretary, Clayton Yuetten, and President Bush decided these decisions must be made at the Gatt Talks in Geneva. We cannot let political, military, and other considerations determine the Farm Bill. We must consider the economic good health of America's farmers and ranchers. I will be pleased to answer any questions.

(Attachments follow:)

FARM BILL PROPOSAL OUTLINE

I. COMMODITY PRICES

To improve farmers' chances of recovering their costs of production and to lower government costs due to deficiency payments, we would establish a new approach to farm policy, which derives prices from the marketplace and helps individual producers to balance supply and demand on a national level.

A. WHEAT AND FEEDGRAINS AND OILSEEDS

In wheat, feedgrains, and oilseeds, loan rates would be raised to at least 70% of parity, with a 2% per year increase until loan rates reach 90% of parity. Also, the Findley Amendment, which gives the Secretary discretionary authority to lower loan rates by 20%, would be repealed.

A regular commodity program would be established for oilseed crops. Producers of those crops should have the income protection, and program administrators should have the ability to determine necessary production levels and reserve needs. Commodity program participants should be able to use oilseeds as a part of their rotational practices without risking their incomes from a loss of base.

Traditional price ratios among grains would be restored to avoid future situations in which we fall short one crop because the commodity program, rather than the market, has made another crop more profitable. This has been particularly obvious recently between oats and corn.

Commodity bases would be stated in bushels and pounds rather than acres. From a planning standpoint, it would be easier for producers trying to manage their input costs, and it also would be easier for program administrators to plan supply needs and determine program costs. In converting existing acreage bases to units of production, producers would be given a chance to establish their actual yields with ASCS. Common sense requires that producers be paid according to their ability to produce, not by some artificial formula that can be manipulated at the whim of the Office of Management and Budget. We also would allow producers to use the same established yield history for all USDA agencies -- including ASCS, FCIC, and FmHA.

Supply control measures would be used to keep market prices above loan rates. The method of supply control, whether production limits or marketing quotas would be put in place after a referendum among producers. If we can have a referendum two or three years after we put a check-off program in place, then a referendum on commodity programs before they go into effect isn't too much to ask.

We would discourage the practice of jumping in and out of the program in order to build base by requiring any producers who choose to leave a program to stay out for a second year, and then to take a "zero" in yield and base calculations for the years out once they return to the program. Stepping out of the program for a year to build base frustrates the purposes of supply control and can increase taxpayer costs. ASCS shouldn't have to reward those producers who are trying to farm the program instead of the land.

We would allow producers of wheat, feedgrains, and oilseeds to switch up to 20% of their commodity base, on an annual basis, among those three commodity groups in order to respond to market needs. If a producer chooses to plant a traditional rotation crop, such as alfalfa or sweet clover, in order to use common sense soil conservation practices, his or her program commodity base should be protected. We do not support the idea of cutting back on the program participants by allowing them to destroy the markets of producers of non-program crops. Too often in the last fifteen years, farmers have been pitted against each other by the design of the government programs.

B. COTTON AND RICE

Our plan would continue the marketing loan program for cotton and rice, but loan rates would be raised to the target price level. Setaside requirements would be directly tied to carry over stocks to hold the Secretary accountable for what's already on hand when he decides on production for the next year. We would also freeze bases for the year whenever an acreage setaside or other supply control tool may be in effect. The length of cotton loans would be shortened by requiring that the loan be redeemed as soon as the cotton actually changes hands.

C. DAIRY

Dairy would have a national quota program, also after a producer referendum, and also targeted at 70% of parity.

Dairy product "surplus" would be redefined as CCC stocks in excess of commercial sales and the government's needs for its own program commitments. Producers should not be penalized with price cuts on the basis of an arbitrary trigger that doesn't even account for government food distribution programs and concessional sales.

D. SUGAR, PEANUTS, AND TOBACCO

These programs would be left intact, since they work for producers at virtually no cost to taxpayers. We will continue to oppose efforts to alter those programs here or to trade them away overseas in GATT.

E. MARKETING ORDERS FOR FRUITS AND VEGETABLES

These programs would not be change legislatively. Of course, producers could still use the normal administrative channels for amending orders if improvements in particular areas are needed.

II. SOIL AND WATER RESOURCES

One of the lasting achievements of the Food Security Act of 1985 was the Conservation Reserve Program (CRP), which has taken about 30 million acres of marginal land back out of production. One of the great failures of the legislation was the push toward a single commodity base, such as corn, which discouraged the use of traditional soil restoring crop rotations, for fear of losing program base.

Our program allows the flexibility for producers to do what they know is right for the soil to keep it productive. We would establish a setaside rotation program. This Soil Restoration Program (SRP) would allow producers to bid in up to 30% of their base for up to 3 years in order to allow time to develop a good cover crop. All soil types would qualify, allowing the SRP to also serve as a forage reserve. This program would complement the existing 10 year CRP program. The SRP, coupled with a bushel based supply control program and the 20% base flexibility for program participants in wheat, feedgrains, and oilseeds, would go a long way toward restoring common sense practices for soil conservation.

We would call for more research of, and farmer education on less chemically-intensive farming techniques. But recognizing that there are already areas of contamination and some land on which no chemicals should be used for fear of leaching into groundwater, we would expand the types of land eligible for CRP. Farmers should have a last resort that will allow them to do the environmentally responsible thing without putting themselves out of business.

CRP contracts will begin to expire within the next few years, and we would include in the 1990 Farm Bill provisions to keep this highly erodible land from going back into production. We must try to strike a balance between the interests of taxpayers, who have invested ten years of payments into rebuilding the soil, with the needs of the landowners, who are trying to make a living. We would offer producers with their expiring CRP contracts a new, separate contract, in which their commodity program base would continue to be protected in exchange for keeping the land in grass or trees. That land would be eligible for use as pasture for a cow/calf operation. That way, the farmer could make a living off the land without having to plow it up for row crops, but the commodity base could still be there in the event the Secretary decided there was a commodity shortage. A new contract should be offered to producers in the seventh or eighth year of their CRP contract to give them time to develop a foundation herd.

III. INTERNATIONAL RELATIONS

We cannot discuss farm legislation without also discussing the General Agreement on Tariffs and Trade, or GATT. Never before have international negotiations so directly affected the future of domestic farm programs.

Secretary Yeutter has said that Congress is free to write a 1990 Farm Bill, but that of course it would have to be modified later to become compatible with the final GATT agreement. Past farm bills have left the Secretary a great deal of discretion to implement -- or not implement --programs as he saw fit. Even though the U.S. Trade Representative and the Secretary of Agriculture have sworn to uphold the law of the land, we are concerned that many important parts of a 1990 farm law will simply be ignored if the administration can't convince Congress to change the law to be consistent with GATT. Given the administration's complete failure to defend our sugar program in GATT, we believe our concerns are well founded. Fair trade may be swept our the door with domestic farm programs by the free trade broom.

There is an appropiate role for the Export Enhancement Program, and it would be maintained as a tool to be used in extreme cases for enforcing fair terms of trade. However, we do not believe that lower world prices benefit producers in any country and we would object to the Secretary continuing to use EEP as a general rule in wheat prices. We would prefer to use GATT or another similar group.

If GATT is successful, the American public will have a wider variety and larger supply of imported food products. In as much as the 1985 Farm Bill was a consumer-oriented "Food Security Act", and because of recent concerns among consumers regarding the safety of their food, our plan for the 1990 Farm Bill includes a requirement for country of origin labeling. It is no secret that imported foods are not inspected as often as domestic produce, nor is it a secret that U.S. chemical companies have been exporting pesticides banned in this country, only to have us import the end food product. Consumers have a right to know where their food comes from, particularly if they're going to have a much higher volume of imported food because of GATT.

Off-land earnings vital to farmers

By DON KENDALL
Associated Press

WASHINGTON — Jobs in town for years have been vital for thousands of farm families whose paychecks often exceed what they earn from the land.

The Agriculture Department says off-farm earnings in 1988 were a record $51.7 billion, up from the previous high of $46.8 billion in 1987. Total U.S. net cash income from farming last year was also a record — $59.9 billion, up from $57.7 billion in 1987.

Last year's off-farm income, which includes that of all family members as well as the farm operator, exceeded net cash income from farming in all years prior to 1986, according to department analysts.

In some years, most recently 1984, off-farm earnings were more than net farm cash income, which is the difference between annual cash expenses and gross cash income from farming operations.

State-by-state income, off-farm earnings and other data were reported by USDA this week in a new 240-page report, part of an annual financial series about the agricultural sector.

Robert P. Williams of the department's Economic Research Service said Wednesday no attempt was made to rank the states according to off-farm income. But he did compile at the request of The Associated Press the top 10 off-farm earners in 1988.

Farm income surpassed off-farm income last year in only three states of the top 10 — California, Illinois and Iowa. Off-farm earnings exceeded farm income in the remaining seven: Texas, Ohio, Missouri, Indiana, Kentucky, Tennessee and Oklahoma.

Texas, which leads the nation in the number of farms — an estimated 188,000 last year — also led in 1988 off-farm earnings with more than $5 billion. That was well above the state's net cash farm income last year of less than $3.9 billion.

Others in the top 10 in 1988 off-farm income, in order, included:

- California, $2.66 billion off the farm and a net cash farm income of $6.54 billion; the state was reported to have an estimated 84,000 farms.
- Ohio, $2.36 billion in off-farm income and a net cash farm income of $1.44 billion; an estimated 85,000 farms.
- Missouri, $2.22 billion in off-farm income and $1.48 billion net cash farm income; an estimated 110,000 farms.
- Indiana, $2.12 billion in off-farm income and $1.48 billion net cash farm income; an estimated 74,000 farms.
- Kentucky, $2.1 billion in off-farm income and $1.09 billion net cash farm income; an estimated 97,000 farms.
- Tennessee, $2 billion in off-farm income and $818.1 million net cash farm income; an estimated 91,000 farms.
- Illinois, $1.95 billion in off-farm income and $2.63 billion net cash farm income; an estimated 88,000 farms.
- Oklahoma, $1.84 billion in off-farm income and $1.23 billion net cash farm income; an estimated 70,000 farms.
- Iowa, $1.81 billion in off-farm income and $3.44 billion net cash farm income; an estimated 107,000 farms.

CALIFORNIA
Walnuts

STATEMENT OF

Phillip N. Short
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and

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representing
CALIFORNIA WALNUT COMMISSION
SACRAMENTO, CALIFORNIA

before the

House Agriculture Committee
Fresno, California
on

The 1990 Farm Bill

November 4, 1989

Mr. Chairman, we extend a warm welcome to you and to the Committee during your visit to California. We appreciate having the opportunity to testify before the Committee today. My name is Phillip Short and I am a grower of walnuts. I am accompanied by Gerald Barton, a grower, and President of Diamond Walnut Growers, Inc. We are testifying on behalf of the California Walnut Commission which represents over 5,000 walnut growers in California. Virtually the entire commercial production of walnuts in the U.S. is grown in the State of California.

In the past, walnut producers have had little involvement in the formulation of a Farm Bill. However, in 1985, the California walnut industry was the victim of a trade war. As a result, Congress responded to the financial devastation that walnut farmers were incurring from retaliatory actions taken by the European Community by authorizing the Targeted Export Assistance Program (TEA) as part of the 1985 Farm bill.

California Walnut Commission

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As you are aware, the TEA program was designed to provide export assistance on a priority basis to those agricultural commodities which are affected by retaliatory trade actions or which are impacted by unfair trading practices. California walnut farmers can certainly testify to the financial losses which result from retaliatory actions. The walnut industry incurred an additional 22% ad valorem duty on California walnuts resulting in over a $12 million loss as a result of the 1985 Citrus-Pasta war with the EC. We have also faced long term unease caused by these trade wars due to continued threats of retaliatory action by the European Community against U.S. walnuts.

Mr. Chairman, we are one small industry of many small specialty crop producers. We hope that while you are in California, you will again have the opportunity to view firsthand the diversity of agricultural production in our state. However, it is this diversity, such as fruit and nut producers which is immediately devastated by retaliatory trade actions and unfair trade barriers. The TEA program provides export assistance to all agricultural commodities, but in particular, it has helped those specialty commodity producers who receive no federal price supports or federal assistance. Because of the tremendous benefits this program has provided to the walnut industry and to specialty commodity producers, we strongly encourage the House Agriculture Committee to reauthorize the TEA program, Section 1124 of the Food Security Act of 1985.

With the financial difficulties facing agriculture and the obstacles faced in the international trading arena, it is particularly hard for farmers to incur the loss of export markets due to a retaliatory trade action. However, it is even more objectionable when one industry - the walnut industry - is "hit" more than once by retaliatory trade actions such as tariff increases. The TEA program provides assurances to U.S. farmers that the federal government will stand by and support them and will not abandon them during such trade wars.

We strongly urge your Committee to continue providing the potential for assistance to those who are affected by a Section 301 action, related retaliatory acts, or unfair trading practices taken by foreign governments. The walnut industry continues to face threats from the EC on retaliatory actions relative to the Beef-Hormone Dispute. We are also facing the unfair trading practice of competing with EC walnut growers and processors who benefit from the EC Tree Nut Subsidy which uses Community funds to encourage more production and to finance marketing and promotion. While continued fair access to the European Community market is of primary concern, the Commission continues to hope that the Uruguay Round GATT negotiations will be successful in removing other barriers to trade as well.

Walnut producers face barriers in other markets. A number of potential markets, including Venezuela and Brazil restrict and often embargo imports through licensing arrangements. Seven countries maintain ad valorem duties of 50% or more. State trading reduces our ability to sell to eight countries which exhibit a major import potential for California walnuts. The TEA program has helped our industry in overcoming some of our trade problems by assisting us in developing new markets as well as creating new outlets in traditional export markets.

Let me turn to Gerald Barton who will testify on the achievements of the TEA program for California walnut producers.

Mr. Chairman, my name is Gerald Barton. Since the inception of the program in the 1986/87 crop year, California exports of inshell and shelled walnuts has increased dramatically. Exports of inshell walnuts have increased by 22% and shelled walnuts by 85%. Last year, the export market accounted for 73% of our total inshell market and nearly 16% of our shelled market.

The major effort by the industry to expand exports was in large part due to the availability of the TEA program. The contribution of growers and handlers played a major role in this process. Grower annual payment of 1/2 cent per pound contributes well in excess of $2 million annually to the program. Additional funds of over $1 million have been contributed by handlers and importers. These contributions have played a major role in our ability to design a program which creates an expanding and stable overseas market for California walnuts.

The developments and success of the program have not occurred easily. Our competition from other walnut growing countries including China, France, India, Italy, Turkey, Hungary and Chile has been and continues to be very difficult. Subsidized production in the European Community and incentives by centralized governments, especially in China, have created a highly competitive situation. Fortunately, we have a high quality product which foreign consumers appreciate. The role of market development has made it possible to educate consumers regarding the availability of our high quality product.

The incentive to enter into these long term commitments would not be feasible in the absence of the TEA program. Walnut producers, like all other farmers, depend on, benefit from and suffer at the hands of Mother Nature. This year, early rains and an earthquake have created serious problems for us in delivering the product required by our markets. But we have been successful, in spite of these problems. Walnut trees are not economically productive until they reach maturity in about 7 years. Our growers recognize that market development requires the same patient investment as the investment in their trees. The TEA funds have allowed us to start and invest in this expensive, long term program by which we will build a franchise abroad for California walnuts.

Reauthorization and continuation of the TEA program is, therefore, vital to the California walnut producers' ability to remain competitive when faced with unfair trade barriers. The TEA program allows us the opportunity to develop a long term strategy, market by market. It exhibits to our foreign customers our desire to stay competitive and our willingness to make an investment in order to develop these markets. TEA exhibits, through its actions, that our government is concerned, that our agricultural export markets are important to the nation and that trade is a two-way street.

Again, thank you for allowing us to testify today. We would be happy to respond to any questions you may have concerning our testimony.

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The World's Favorite Raisin.

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TO: House Committee on Agriculture
Honorable E (Kika) de la Garza, Chairman

RE: Hearing on 1990 Farm Bill

DATE: November 4, 1989 - Fresno, California

SUBMITTED BY: Barry F. Kriebel, President
Sun-Maid Growers of California

Thank you for the opportunity to testify on some issues that are very important to California raisin growers, their families and to the processors and their employees. Specifically, I would like to comment on the Targeted Export Assistance Program, commonly known as the TEA Program, which is quite modest in terms of the total dollars involved in the 1990 Farm Bill, but is very critical to the financial well being of California raisin growers and their families.

As a Cooperative owned by California raisin growers, our responsibility is to our farmer owners. To understand the importance and value of the TEA program, I would like to spend a minute to review the financial situation of the California raisin grower over the last few years.

First, let me point out that like most specialty crops, raisins are only produced in a handful of growing areas in the world.

Essentially all raisins produced in the United States come from California. California is the world's largest producer of raisins and produces about 40% of all raisins in the world. Other major producers are Greece, Turkey and Australia, Afghanistan and Iran. Because world production is so concentrated, the practices of one area can have a major financial effect on another.

Secondly, since raisins are dried grapes, changes in other uses of grapes have a major impact on the production of raisins.

The principal grape variety which is used to produce raisins in California is the Natural Thompson Seedless grape. This grape historically has been utilized for making raisins, crushing into distilled spirits and wines, for fresh table grape consumption, and for limited canning in fruit cocktail.

Through the decade of the 1970's and to 1982, the California raisin grower averaged almost $1,200 a ton for his annual production. This resulted in relative prosperity during these years.

AVERAGE CALIFORNIA RAISIN GROWERS RETURNS
PER TON OF PRODUCTION

YEAR	
1976	$ 1,050
1977	855
1978	1,600
1979	1,160
1980	1,160
1981	1,220
1982	1,300
AVERAGE FARM RETURN PER TON	$ 1,192

However, by the end of 1982, two changes in historical patterns of raisin and grape consumption were leading the California raisin farmer into almost financial ruin. These were: First, unfair Greek subsidies to Greek raisin producers, which allowed Greece to take away our markets in Europe and, Second, subsidized and unfairly priced Italian, French and German wines which took over a major share of the California wine sales and caused a shift of grape utilization from distilled spirits to raisins. With Greece entering into the common market in 1981, European buyers of California raisins began shifting to subsidized Greek production which was protected by a minimum import price scheme. Between 1980 and 1982, California raisin sales declined dramatically in the three largest E.C. markets by 66%:

- United Kingdom dropped 74%.
- Germany dropped 66%.
- Denmark dropped 40%.

	California Shipments (packed tons)		Difference 1982 vs 1983	
	1980	1982	PWT	%
U.K.	8,021	2,096	-5,925	-74%
Germany	8,596	2,892	-5,704	-66%
Denmark	2,486	1,496	- 990	-40%
TOTAL	19,103	6,484	-12,619	66%

While Greek raisin growers were taking over Europe, grape growers in Italy, France and Germany were making huge gains in U.S. wine markets.

For the period from 1976 to 1982, there were on an average almost 700,000 green tons of raisin grapes crushed into wines and distilled spirits in California (or the equivalent of 160,000 tons of raisins). However, as a result of the influx of cheap subsidized table wines from Italy, France and Germany, and the shift towards varietal wines, California wineries purchased what was then an all-time low of only 330,000 tons of raisin variety grapes in 1983. Over the last three years of the 1987, 1988 and 1989 crops, California wineries have continued to purchase record low amounts of Thompson grapes for distilled spirits being on the average only 316,000 tons.

With California wineries eliminating the home for many California Thompson grapes, a record number of grapes were turned into raisins in the 1983 crop year. In fact, total Natural Seedless raisin production increased to 347,943 tons from a base of only 205,700 tons in 1982 or almost a 70% increase. California Natural Thompson Raisin production over the last five years has exceeded 360,000 tons on the average. All this created a desperate situation for the California Raisin Industry:

- Decline in export markets, particularly in Europe.
- Increasing production and surplus inventories.

Grower returns which averaged $1,200 per ton from 1976 to 1982 dropped to only $576 per ton from 1983 to 1985.

AVERAGE CALIFORNIA RAISIN GROWERS RETURNS
PER TON OF PRODUCTION

YEAR	
1983	$560
1984	$575
1985	$595
AVERAGE FARM RETURN PER TON	$576

For almost all grape growers, this was below their direct out of pocket cost for production. For those growers who were carrying farm debt, it was impossible to make payments and almost 25% went into foreclosure. We tried to redress our grievances against unfair subsidies to Greek raisin growers by bringing a 301 Action in 1981. As you know, the dispute settlement process is long and tedious, but we received a favorable panel report in 1984. However, the European Economic Community then sought to introduce new evidence and another panel hearing was held, which reversed the first. In both cases, the panels recognized that there were Greek subsidies and that they were damaging California producers. However, the second panel ruled that the U.S. was well aware of this in its trade talks before Greece entered the E.C.. This is a perfect example of deficiencies in the GATT process which often prevent recourse to agricultural producers.

Likewise, we tried to redress our grievances against subsidized and unfairly priced Italian, French and German wine producers, by bringing two countervailing duty and anti-dumping proceedings before the U.S. International Trade Commission. The Commission refused to treat California raisin growers as part of the "Industry" even though our grape growers were suffering the effects of a wine war.

Again, this illustrated the weakness of trade resolution procedures designed for industries other than agriculture. **In agriculture, one grower can shift his problem onto another and this is O.K. under the rules of international trade.**

Even before the 1985 Farm Bill, the California raisin industry began trying to regain our European markets by reducing our prices and by aggressive advertising and promotion programs. This was first with matching F.A.S. cooperative money in 1983, and then second, in 1984, with limited federal funds under the Helms Bill, the predecessor of the TEA Program.

This proved to be the beginning of a dramatic turnaround for California growers. The TEA program provided the assistance needed. Over the last four years with matching industry money, we have been able to spend substantial monies to aggressively advertise and promote California raisins:

CALIFORNIA RAISIN INDUSTRY
EXPORT MARKETING BUDGETS (000)

Source of Funds	1986	1987	1988	1989
TEA	$6,250	$ 9,800	$ 9,800	$10,700
Industry Contribution	2,000	5,100	5,800	5,300
TOTAL	$8,250	$14,900	$15,600	$16,000

This aggressive advertising, which is only possible through the assistance of the Federal Government under the Targeted Export Assistance Program, has allowed the California raisin producers to recapture those markets lost in 1981 and 1982 and to actually increase export shipments to a record level.

- United Kingdom up 806% from 1983.
- Germany up 260% from 1983.
- Denmark up 216% from 1983.

	California Shipments (packed tons)		Difference 1989 vs 1983	
	1983	1989	PWT	%
U.K.	2,433	22,047	+19,614	+806%
Germany	2,821	10,156	+ 7,335	+260%
Denmark	1,797	5,686	+ 3,889	+216%
TOTAL	7,051	37,889	+30,838	+437%
Total E.C.	8,984	42,485	+33,501	+373%
Scandinavian	4,548	12,110	+ 7,562	+166%

In fact, total shipments to the E.C. are up 373% from 1983, and in Scandinavian shipments, are up 166%.

Part of the strategy was an agreement of the California raisin industry under the California Raisin Advisory Board to advertise and promote both on a generic and on a branded basis. The California raisin industry agreed that it would go out and try to sell raisins under whichever brand was best. In those European countries, where a strong brand leader was already present, the California Raisin Advisory Board agreed to fund branded advertising. In those countries where no strong brand was present, programs were developed on a generic basis. In most countries, there was a blend of both generic and brand advertising. Sun-Maid was not the sole beneficiary of these branded funds; in fact, in some markets, Sun-Maid actually lost market share as other brands and generic raisins were promoted. The entire industry experienced significant volume increases. With this aggressive marketing and advertising, the California raisin industry was able to increase total raisin consumption around the world and increase its share of that pie.

Total shipments of California raisins increased from 46,093 tons in 1983 to 93,435 in 1989, or an increase of 103% over these six years. In countries where TEA funds were used, shipments were up 180%; in other countries, shipments were up only 25%.

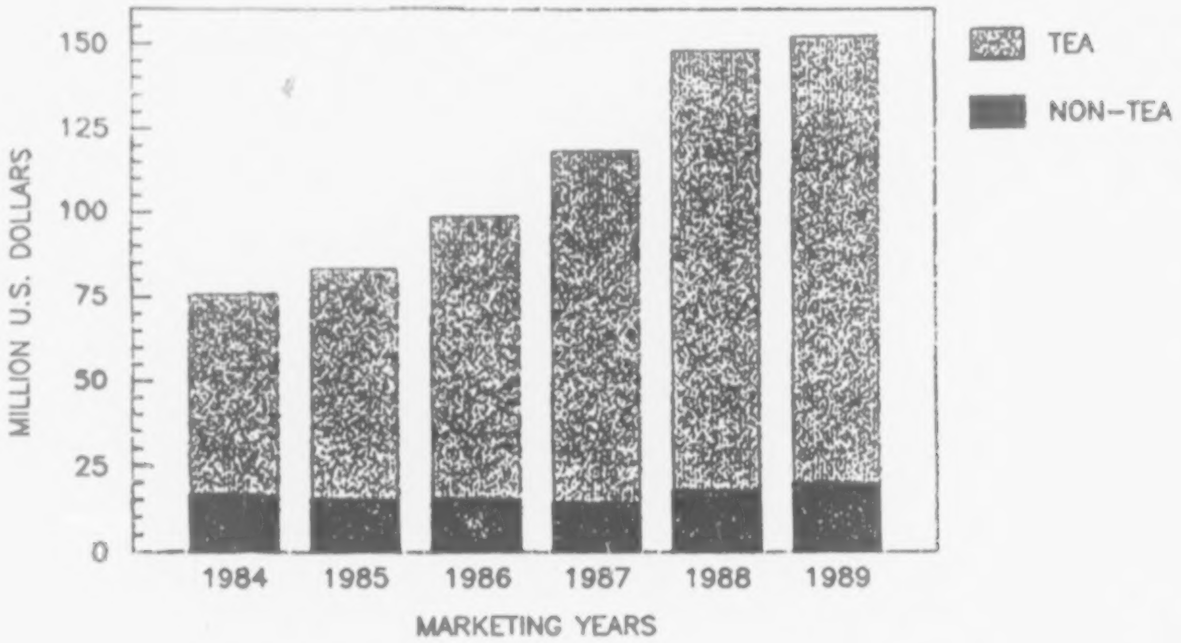
CALIFORNIA RAISIN INDUSTRY THOMPSON EXPORT VOLUME (PWT)

		HELMS FUNDS		TEA FUNDS				FY'89 vs. FY'83
	FY'83	FY'84	FY'85	FY'86	FY'87	FY'88	FY'89	
E. C. Countries	8,984	14,895	21,469	26,669	36,708	44,325	42,485	+ 373%
Scandinavia	4,548	7,890	8,379	9,572	10,462	10,388	12,110	+ 166%
All Other Europe	477	349	551	559	766	381	478	+ 0%
Latin America	2,473	2,460	2,589	2,990	2,430	1,991	1,696	– 31%
Pacific Rim (Except Japan)	9,123	9,295	8,270	7,777	10,922	11,140	10,056	+ 10%
Japan	19,332	18,418	24,195	27,682	23,158	27,041	25,775	+ 33%
All Other	1,156	1,384	2,264	1,218	1,097	736	835	– 28%
Total	46,093	54,691	67,717	76,467	85,543	96,002	93,435	+ 103%
HELMS/TEA Countries Only	23,113	32,080	38,118	44,018	58,092	65,853	64,651	+ 180%
Non–TEA Countries	22,980	22,611	29,599	32,449	27,451	30,149	28,784	+ 25%

ACC/cw
11/02/89
FN/EXPT

The U.S.D.A. Foreign Agricultural Service is in agreement that the TEA Program has been a driving force on these increases. The following graph was presented by F.A.S. at a T.E.A. program conference of program cooperators last week in Bangkok. This shows the success of the TEA Program, with raisin exports haveing increased to over $150,000,000 per year.

TOTAL U.S. EXPORTS OF RAISINS
COMPARING TEA AND NON-TEA COUNTRIES (MY84-MY89)



This marketing success has allowed us to increase raisin growers returns to where they now can pay their bills, and actually can spend money to improve their farming operations. After the drop to a record low level of only $560 per ton in 1983, the industry has slowly increased grower returns, so that they will exceed $900 per ton on both the 1988 and 1989 crops. This has put the California raisin growers back in the black.

Unfortunately, with all the success that we have seen over the last six years, the battle in export markets is far from over. We are still faced with major obstacles overseas that could send the raisin industry into a tailspin again if we don't maintain our vigilance and the programs that have given us the success we have seen over the last six years.

We are still faced with:

- High import duties.
- Subsidized prices. TEA program funds should always be prioritized to commodities like raisins which face unfair trade practices which can not be redressed through the GATT process.

- Growing California production and processing costs which push our prices ever higher each year--making it more difficult to compete with other producing countries.

- New countries like Chile and Argentina which are now producing raisins to compete on the world market.

We look to continued support on the 1990 Farm Bill to be able to try to maintain this level of modest prosperity. This will become ever increasingly difficult. In addition to foreign production, distilled spirit consumption is declining in the United States and around the world. This means that more and more grapes will be turned into raisins. We expect record California raisin production in 1990 and each of the next five years thereafter.

To help sell this predicted product, we ask that you renew the TEA Program in the 1990 Farm Bill.

Respectfully submitted,

Barry F. Kriebel
President

BFK:lr

STATEMENT OF

FRED STARRH, PRESIDENT
WESTERN COTTON GROWERS ASSOCIATION

Mr. Chairman and members of the Committee, my name is Fred Starrh. I have been farming cotton in Kern County at the southern end of the San Joaquin Valley for 35 years. Today, I speak as a cotton farmer, and as President of the Western Cotton Growers Association, which represents thousands of farmers from every cotton producing section of California.

Cotton is a major industry in California, ranking No. 1 among the state's diverse field crops. In fact, four of the nation's top cotton growing counties are here in this valley. More than 1 million acres are planted every year to cotton in this state, and last year, our industry's gross income from cotton and cottonseed exceeded $1 billion. I mention these statistics to emphasize the importance of cotton to our local economies and to the state as a whole.

Obviously, the shape of federal legislation has a far-reaching effect on every segment of our economy. Mr. Chairman, you are to be commended for conducting a hearing of this import in the center of America's second largest cotton growing state. We are encouraged that your presence indicates an interest in the views of those of us who depend on the land for our livelihood.

The California cotton industry generally supported passage of the Food Security Act of 1985, which made major changes in the cotton program. With allowance for a bit of a sag during the middle years of the Act, the program has met its objective of making US cotton competitive in domestic and world markets. The program was designed to provide price and income protection for farmers. It has done that. It was planned to maintain sufficient supplies of cotton for domestic mill use and for exports. It has done that as well.

This is why the farmers who govern our Association have endorsed a continuation of the general provisions of the cotton title of the present farm program for another 5 years. I would like to take a few moments to comment on a few specifics in the Act.

COTTON LOAN PROGRAM

We support the continuation of a 10 month, non-recourse cotton loan, with an optional 8 month extension under the same conditions as in the current Act. The continuation should include requirements announced last month by the Department of Agriculture that producers and holders of cotton loans must pay storage costs on loans forfeited during the extension. The present loan formula should continue, with a mimimum level of 50 cents per pound.

Since 1986, approximately 23 million bales have entered the loan program and only 40,000 bales have been acquired by the CCC. The loan merely permits the cotton grower to participate in orderly marketing. It is important we retain this 18 month program. Ending the extension could be catastrophic should the next crop yield not meet the expectations of the market.

ACREAGE REDUCTION PROGRAM

Our Association supports the renewal of a maximum acreage reduction of 25% in the next program. Current supply and good demand is meeting the expectations of the 1985 Act and we urge retention of the 25% maximum ARP.

ONE-HALF ARP

The "½ ARP" provision should also be continued in new legislation. The Secretary should be required to offer producers the option of participating in this program. Producers who otherwise would be outside the cotton program could reduce acreage by one-half of the program requirement and receive loan eligibility only. This could be an effective means of adjusting supplies when needed.

FLEXIBLE ARP

A new concept worth considering for the next farm bill is adapting the so-called "flexible ARP" to cotton, patterned after the program option recently announced for wheat. The plan would be implemented by the Secretary if he determined the announced program for the year would result in a shortage of cotton. Under the plan, growers would be allowed to plant cotton on any portion of the base exceeding permitted acreage. For each acre planted in excess of the permitted acreage, the acreage used to determine deficiency payment would be reduced by one acre. Without getting into all the details, it appears the option would enhance the grower's flexibility and allow a quick response to market demand. Our Board of Directors has not yet had an opportunity to fully consider the matter, but we will submit a written recommendation this month to the Committee.

LAND DIVERSION

On the other side of the coin, the Secretary should have authority to offer a paid land diversion when he determines that additional acreage needs to be diverted to reduce stocks to the statutory targeted level. Announcement of the ARP requirements should be made no later than December 1.

TARGET PRICE

The target price concept should be continued, and at levels no lower than in the current Act. All production on permitted acreage should be eligible for deficiency payments.

CROSS COMPLIANCE

We oppose continued authority for cross compliance.

CARRYOVER

The Food Security Act of 1985 provided for a mimimum carryover of 4 million bales. This current crop year's close-out inventory is expected to approximate only 3 million bales. For the new program, we recommend a carryover target that would be expressed as a "stocks-to-use-ratio" rather than continue the fixed 4 million figure.

ADJUSTED WORLD PRICE

We support the recent change in determining the Adjusted World Price. It provides the Secretary discretion in determining the amount of the adjustment within a maximum limit. It triggers an adjustment only when the US is uncompetitive and when a lowering of the AWP would likely be effective. The 115 percent trigger level limits adjustments to those periods when such changes would affect the price at which producers repay price support loans. We think the program will work better with these adjustments. In fact, it has been noted that had this new procedure been in place earlier, our cotton could have been price competitive almost the whole period that we were non-competitive in 1988 and early this year.

FLEXIBILITY

"Triple base option" or "three base option" approach has been discussed in several recent forums by members of Congress and by USDA economists. While the motives are logical, we have to be careful as to the type of crops that would be allowed on the permitted acreage. Serious economic analyses are needed, especially in the San Joaquin Valley, on the potential disruption to the non-program crops.

IMPORT QUOTAS

As you likely know, well over three quarters of California cotton is exported, and our producers are justifiably concerned about possible changes in international trade. With more than 90 per cent of the world's cotton production heavily subsidized from farmers to the mills, it is extremely difficult for US growers to compete. Recently our domestic mills have suggested that US import quotas on raw cotton be scrapped. Over the years, the Multifiber Textile Agreement and import quotas on raw cotton have worked well for producers and consumers. If the import quotas are upset, the equilibrium of the two programs will be destroyed.

GATT NEGOTIATIONS

California's cotton industry also is concerned about developments in the Uruguay round of international trade negotiations. The original US proposal sought to flatly remove all distortions to free trade, including tariff and non-tariff barriers, quotas and domestic subsidies. Under an amended US plan unveiled at the mid-term meeting, world agriculture programs would be based on the concept of tarrification. This seeks to turn quotas, variable levies and other barriers to trade into a tariff. This is a bold plan, but we are concerned about the ultimate effect it would have on the average US farmer. There have been no studies published on the plan's effect on a crop-by-crop basis. Studies have concentrated on how US grain producers would fare under a hypothetical free market, rather than looking at the farm economy as a whole. As the proposal stands, the cotton farmers of California seem certain to lose. There are other serious reservations about the US plan. It hinges on comparing the domestic price with a world price. If a commodity is not traded freely, how can there be said to be a world price? It would be impossible to calculate such a price for cotton, especially since much of the world's cotton is grown by countries that are either planned, socialist economies and/or non-members of GATT. A "world price" would be a "guess price." Should a tariff fall far short of a previous quota or subsidy program, there would be no recourse for an affected commodity such as cotton. The tariffication plans call for binding the tariff in GATT, and it could not be raised. The farmer would have nothing to fall back on. We definitely need some specific projections by commodity before this plan progresses further.

CONCLUSION

_In_ summary, the Western Cotton Growers Association supports the continuation of the Farm Security Act of 1985, with some "fine tuning." We specifically support retention of the 10 month loan program with an optional 8 month extension; a maximum ARP of 25%; the Secretary's authority to offer a paid land diversion; continuation of the "½ ARP", and a carryover target expressed as "stocks-to-use-ratio" instead of a fixed number of 4 million bales. Internationally, we support the continuation of the import quotas currently administered under the Multifiber Textile Agreement, and we urge preparation of detailed studies on how the California and US cotton industries would be affected by the US plan for world trade reform in the context of the Uruguay Round of GATT negotiations.

Thank you for the opportunity to speak with you today.

Testimony by Ken Frick to the Agriculture Committee of the House of Representatives at Fresno, California on November 4, 1989.

The Ag Act of '90, is it to be a warmed up version of past schemes or a change with vision and goals?

I believe the latter, with the goal to be agriculture receiving all its income from the marketplace by gaining market access around the world and the determination by the Congress to phase out support by 1994.

The net result is a healthier set of farmers, less federal budget deficit and a healthy export business.

My own background has been a subsidized farmer, an ASCS County Committeeman, State Committeeman, State Director and National Administrator of the Farm Program Agency. With this perspective, I believe the following: The world should be our marketplace and this is what GATT was created for. The agency has failed agriculture. Grains have been held out of Europe by tariff, rice out of Japan by edict, plus many more major impediments to trade.

During 40 years of GATT our government has made very little change to improve farmers access to markets. Always "more important" considerations compromised farmers access.

The other major failing has been our own laws. The relatively high loan rates of the 1950's and the dumping policies of the 1960's. I remember the loan rate of soy beans was too high in 1969 and certainly the Ag Act of '81 caused cotton to be non-competitive during the 1985 sales year, when less than two million bales were exported and even the '85 act had competitive problems with cotton.

My contention is that it is impossible to write a farm bill that supports farmers and keeps commodities competitive without timely and unlimited treasury help on exports, which leads to the point of cost. A couple of years ago there was an annual government cost for the farm program of $25 billion, 15% of the federal deficit. If it is important to balance the federal budget, then farmers could and should receive all their income from the marketplace. In California as in some other states the unsupported segment of California's $16 billion agriculture production is twice the size of the supported commodities. And I am told more profitable. Many of these products are just as storeable and exportable as grains and cotton.

Some commodities in the United States are supported like in Europe. Sugar is that way and has to be changed as long as we are asking Europe to change. The same goes for milk.

Today our programs reward some unequally. With payment limitations, the so called Christmas tree rewards some larger farms put together by a capable lawyer. The sugar program pumps millions of dollars into the pockets of the manufactures of corn sweeteners at the expense of consumers.

Also, I believe it is fair to note our farm program did not stop the farm depression of the early and mid-eighties.

If farm organizations, corporate agribusiness and government, both Congress and the Executive, would put as much effort into market access around the world as they put into domestic support, decisive moves could be made for farmers. Producers cannot pick up their farm to produce tomatoes in Mexico, orange juice in Brazil, or wheat in Europe like corporations do when they find their product is not competitive. That is why farmers must have equal access.

By our lack of concerted action and accepting the notion that other policies are more important, we have allowed Europe, the countries we helped so much to win and recover from World War II, to go from importing 20 million tons of grain to exporting (dumping) 20 million tons into markets our farmers should be equally competitive in. Many speeches have been made that all exporters need to do is to work harder and to understand the needs and desires of people in a particular foreign market. That may be great advice if there is true competition and equal access.

But Government is the only one to deal with the EEC, to give American farmers equal grain marketing footing with European farmers in Europe and the same for rice in Japan. The responsibility rests squarely on the shoulders of Congress and the President, both Democrat and Republican.

Then there are groups of Conservationists, Environmentalists, etc., that wish their concerns to be solved in the same Ag Act of '90. So in the name of supporting farmers compromises are made that truly make no sense in many areas of the nation. The price farmers and the public pay in the name of conservation is not worth it!!!

The suggestion that the farmer produce what he wants and be paid or supported according to his historical base is progress. This was available in the mid-seventies, with set aside being related to cropland, if necessary. Then phase out payment in three years so farmers who wish to produce for the marketplace do not have to compete with farmers receiving government money.

In conclusion, because of the lost markets, the runaway federal deficits, the inequities caused by farm programs and the opportunity to change the GATT to give farm commodities access to markets it is an opportune time for major change. The business of farming, as in most other businesses, should look to the marketplace.

FOOD & SECURITY ACT 1990

Members of the Committee, let me first introduce myself. My name is David Gallleano and I am from Madera, California. I am 32 years old, married, have a daughter and am a third generation American farmer. I've been involved with the ASCS over the past 5 years as a COC committeeman . I've been a member of the ACALA Cotton Board for the past 6 years. I've been a member of the California Young Farmers' Association and have served as a State officer.

This Committee has sought testimony from California residents on the effectiveness of Federal agricultural and rural development policies since the enactment of the Food and Security Act of 1985. This Act is a continuation of agricultural stabilization over the past 50 years in this country. The Food and Security Act of 1985 had some rather unique parts to it, one being the the "Sodbuster/ Swampbuster Provisions" for the protection of wetlands and highly erodable land. Another unique feature in the 1985 Act was the Dairy Termination Program.

I believe at this point it would be good to express some of the things that were experienced by myself as a farmer and as a COC committeeman in regards to the 1985 Act. One of the greatest complaints we received as a committee involved program announcements announced at too late a time for profit and budget planning by farmers. If the desired effect is stabilization of agricultural prices and supplies, then it would be reasonable to require in the future that all announcements and setting of programs occur at a time period no less than 6 months prior to an average planting date for that crop. For example, in regard to cotton planting it should be 6 months prior to March 20 for cotton growers in the San Joaquin Valley which is the first planting date available to us.

Another complaint received is that the Set Aside requirements for each crop each year are constantly changing. I understand that they change depending upon the supply of the crop and what the government hopes to achieve for that crop in any given year. If stabilization and long term stabilization is what is asked and required, there is no reason why in the coming farm bill the Set Aside amounts for the crop cannot be set for a 5 year period. I believe that if this was done it would be easier on farmers for long term planning of multiple year leases on ground.

Another part of the 1985 Act that brought up a lot of questions were the 50/92 provisions which in my opinion were the most successful part of the program . This gave the government the ability to retire large acreages of crop land base for a short period of time at a low cost to the government. But there has been one problem that creates the most havoc for a farmer by taking advantage of this option. Let me give you an example. There are two farmers, both farming 1,000 acre farms with a 1,000 acre cotton base. Farmer A decides to go on the straight program and is required to set aside 25% of his ground and is allowed to plant up to 750 acres. And he is paid on that 750 acres the difference between the loan rate and the target price. Farmer B decides to go into the 50/92 program. He also must set aside 250 acres or 25% and has 750 acres that are planted/considered planted for basis purposes. Farmer B is paid on 690 planted acres but is only planting cotton on 375 acres. In essence Farmer B has idled 625 acres as opposed to Farmer A who has idled 250 acres. If we assume for the sake of discussion that this program was successful, and the average market price went above the target price, this is what would happen according to the 1985 Act. Farmer A with the 750 acres would be in a good position. He would refund all of his advance payments and have the ability to do so because the price would be above the target price and he has been able to protect himself. He has the ability to pay back the money that was spent as if it were a short term loan because the actual cash price of the commodity is above the target price. Farmer B on the other hand has only planted 375 acres rather than the 750. He has not recaptured or does not have the ability to recapture the money advanced to him from the government which he would owe back because of the number of acres that he has planted on.

Farmer A was paid on 750 acres and repays on 750 acres. Farmer B was paid on 690 acres but must pay back on 375 acres which means that Farmer B (unless he can recapture roughly double or unless the market goes up above the target price at a level that the loan rate was set below) the target price would be unable to even recapture the money of the estimated payments. We can see in this example that Farmer B has done the most for getting the commodity back in line as far as supply and demand. Farmer B did the most for the program to be successful.

On the down side, should the program not be successful, A and B are equally protected. On the up side which is when the program is successful, Farmer B by doing the most suffers the most. The only wa y of getting out of this Catch-22 situation with programs is to make the pay ments a set amount and guaranteed. Thus a farmer walks into the ASCS office , figure out what the payments would be on his farm and those numbers should be set in stone. There are two advantages to this. One advantage is that the the government knows at the end of sign up what it is costing to fund this program. The farmer also knows what he will receive on the other end.

If farmers are to survive in this world as businessmen and exist as others businesses and businessmen do, with all the variables that farmers have, weather, water supply and availability and the uncertainties of mechanical breakdowns then one less variable in their farming operation makes sense for them and for the government.

Another major complaint is the complexity of the program. The preceeding example typifies this problem. Although there are other areas. The payment limitation rules as they now exist, have created a lot of confusion. We've seen them and the interpretations change several times over the preceeding years, but I believe that we are in a situation where we are having to use rules that are based upon hard and fast things on a nationwide basis which some don't carry the weight that they should. The COC in each county must determine who is a person and who is not a person for payment of limitation purposes. The basis that the COC must decide this on is the information submitted on our 502A's, B's and C's. Except for multicounty producers which is not commonplace in California although certainly we do see it. I don't believe that in the past 5 years as I have been sitting on the COC that there has ever been a case that at least one committeeman did not know each individual whose 502 passes across the Committees desk. Which means that in our local areas, where local controls exist, the local committeemen have the knowledge of the local individuals and know who is not a person. It is more bureaucratic paperwork that creates a lot of confusion for alot of farmers .

If we go to the case of the few multicounty producers where in our case a committeeman didn't know of a person, our decision was based solely on the information on the 502. The 502 that the government asked the producer to fill out is only a piece of paper. On paper, anyone could create any kind of picture that they want someone to see. Filling out the paperwork does not make them a better farmer or a worse farmer and merely because they have the knowledge to fill out the paperwork to create the picture that they want them to see , is that justification for determining that entity as a person for payment limitation purposes. I don't think so. One case in point, that comes to mind , that I have personal knowledge about is a case where the farmer because of the size of his operation needed in order to receive financing the ability to collect an additional payment. A few years back the confusion over payment limitation was so great that there were attorneys out there that for $5,000 roughly 10% of the action would give you the information necessary to create another entity or which would allow you to pick up more dollars in payments. In this one particular case, for example that I'm siting, the gentleman in order to receive financing to cover payments brought in or went to this attorney who gave him the necessary information. The farmer then went down and qualified for $100,000 in payments, secured his financing and grew his crop. At the end of the year, long after he'd received his second payment he realized after sitting down with his accountant that it cost him $65,000 in taxes in order to qualify for an additional $50,000 in government payments. The short of it is the gentleman spent $70,000, $65,000 being taxes and $5,000 in making a payment to an attorney in order to receive an additional $50,000 because that was what was necessary in order for him to secure financing.

I believe it is a sad state of affairs when someone must move to those levels in order to create a cash flow basis in order to survive. I believe that maybe in the future another overhaul of the payment limitation rules must be in order. I believe that to find total fairness in this it may necessitate determination being made on the County level by County understandins of County situations. A farmer whose wife is actively engaged and is part of that farming organization are only one person by state of marriage. It is a sad state of affairs when a man and a woman can live in quote unquote "sin" and become partners in an organization because they are not married in order to qualify for two payments whereas to be married qualifies them only for one.

Up until recently there was a determination and I belive it is in one of the handbooks at this time of a widow and widower farmer who each had their own respective farms that got married. Upon getting married they could only receive $50,000. Each of these individuals, or this husband and wife, had their own farms, their own equipment and were neighbors. After getting married their operations continued to be run separately as their own personal and separate property and yet because they were married they lost out on $50,000 in payments. That has been changed by the last revision of the payment limitation rules.

Another issue of concern is ACR qualified ground. I believe the importance of this program there are rules set up as to what qualifies as ground that can be qualified as ACR for a given year and the rule is as folows that in two out of the last three years it must have been planted to small grains or a row crop. In my opinion, if the ACR ground is for cotton and the ground is capable of producing the ranch yield it should be qualified as ACR ground. It shouldn't have to have been planted . In many crop rotation programs, especially here in California where we are participating in the program we like to grow wheat or grain, a year of cotton, and a year of rest. This ground doesn't qualify for ACR because it has not been grown two out of the three years in either a small grain or a row crop. This ground that we wish to set aside is no better nor worse than any other ground that we have but yet it isn't qualified.

In some instances because of the rules for ACR qualification we are forced to idle ground in a bad rotation pattern. This forces us in some situations to plant two years of cotton in a row or two years of grain in a row in order to qualify this ground so we may idle it for a year. I believe that farmers are there best judge. I believe that as long as the ground has been used to grow the crop two out of the last three years, or a crop two out of the last three years, it shouldn't matter what the crop is that is being grown providing of course that it is capable of growing the ranch yield for the purpose it has been designated ACR . In the case of cotton, growing the cotton yield or in the case of wheat growing the wheat yield.

In a more general sense some recommendations that I would give to this Committee. One would be that public education and the public understanding the benefit and the necessity of a strong agriculture in this country. I would hope that in the coming farm bill that moneys are allocated and directed directly towards this public education.

I also would recommen to this Committee to put an end to FHA becoming the bank of last resort. I as a farmer do not believe that it is fair that I must make my land payments and that another farmer does not merely because he paid too much and can't afford to make his payments. I believe that the government should get out of the program of financing farmers through FHA which amounts to a double subsidy. I believe that if the government would get out of that relationship completely and let those of us who have the ability to survive in a free market place to go on and those of us that can't to find another line of work.

And lastly, I'd like to impress upon this Committee that the American farmer would like no better than to compete on an equal basis with the world. But that as long as the United States government puts more constraints, dictates the wages we must pay, the benefits we must provide, what we can and can't do to our crops, unjust pesticide restrictions, then we are not in a position to compete with the world on a world market price.

The American farmer is the only business in the world that buys retail and sells wholesale. There is not a stronger breed of man in the world than the American farmer. Thank you.

David Galleano

TESTIMONY BEFORE HOUSE AGRICULTURE COMMITTEE
BY
JOHN E. PUCHEU, Jr.

FRESNO, CALIFORNIA
NOVEMBER 4, 1989

Mr. Chairman, Congressmen, Ladies and Gentlemen. I appreciate the opportunity to appear before this committee. I especially appreciate the fact that this hearing is being conducted in California's San Joaquin Valley.

My name is John E. Pucheu, Jr. I am a cotton producer farming in the Tranquillity area of Fresno County, California. I also serve as the Chairman of the Board of Directors of Calcot, Ltd., and it is in this capacity that I am here today. Tom Smith, who is the President of Calcot, is here with me today and he will assist in answering your questions.

Calcot is a grower-owned cotton marketing cooperative representing cotton growers in the Far Western United States -- specifically California and Arizona. We have some 3,400 grower members who produce nearly 2 million bales of cotton annually. This represents 12% to 15% of the crop in the United States.

Many people fail to realize the importance of cotton production in the Far West. Cotton is the number one agricultural crop produced in both California and Arizona. In addition, about one-third of the entire nation's crop is grown in California and Arizona.

When the 1985 Food Security Act was being written, conditions in the cotton market were extremely bleak. Domestic mill use was declining, exports were sharply lower, stocks were rising and farm prices were low. Before discussing our proposals for the 1990 Farm Bill, it is important to review the results from the 1985 legislation.

In the 1985 Food Security Act, the U.S. cotton industry sought a new approach to enhancing its competitiveness, providing support to grower income and ensuring an adequate and stable supply of cotton to meet domestic and export needs. This new approach was to combine the existing 18-month non-recourse loan program and target price concept with a marketing loan, which would permit loan repayment at a market determined price--the Adjusted World Price.

This new approach has been remarkably successful, despite the continual efforts that have been made to change the program. Some in the industry have misunderstood that this program was never meant to assure that U.S. prices would be the lowest in the world, only that they would be competitive. In looking at the results over each season, instead of on a particular day, the 1985 Food Security Act has been successful.

For example, U.S. cotton exports will average 6.8 million bales in the first 4 years of this Act, compared to only 5.0 million under the 1981 Act. Domestic mill use has surged from an average of 5.8 million from 1982-85 to an average of 7.8 million under the current Act. These increases in demand indicate dramatically that U.S. cotton has been more competitive under the 1985 Food Security Act.

Cotton has been made more competitive while government costs have been below projections made when the bill was passed. Initial projections estimated the cost of the cotton program under the 1985 Farm Act would run over $8 billion. It now appears that actual costs will be close to $5 billion. While this cost remains high, the success in the current legislation in increasing demand has kept costs contained.

The evidence is clear that the basic concepts of the current legislation have been successful. Calcot supports maintaining the majority of the current Act. Let me review Calcot's thoughts on some of the specific elements of the Farm Bill.

We believe the foundation upon which the legislation is built is the 18-month non-recourse loan. This provides the support necessary for both financing production and supporting grower income. The 18-month period is critical to the loan program. Agricultural production is uncertain. In any given season we may produce too much cotton. The 18-month period allows cotton marketing to bridge across crop years. If too much cotton is produced, it would not be forced into an inelastic market, depressing prices. With a 10-month loan and the 8-month extension, the grower would be able to market his cotton, instead of dumping it. The grower would benefit when prices rebound the next season, instead of someone else. Without the 18-month term, price volatility would increase and it would not be possible to assure domestic mills an adequate supply of cotton.

There has been criticism of the 8-month extension. I would like to emphasize that this extension is not granted unless prices dictate the additional period is needed. Calcot supports the current trigger level of 130% of the previous 36-month spot prices used in determining when to offer the extension.

There have been some people who have criticized the loan program for keeping cotton off the market. The facts reveal that cotton has not been trapped in the loan as some have claimed. Of the nearly 23 million bales that have entered the loan under the 1985 Act, less than one-half of one percent have been forfeited to the CCC. This compares to the 9.4% of the loans entered under the 1981 Act. Clearly the program has worked.

The cotton loan level is currently established using a formula that compares U.S. prices over the last 5 years with the most recent season's world prices, and sets the loan based on a percentage of the lower of these two levels. Calcot supports this formula and the 85% of U.S. spot prices or 90% of world prices.

We, however, suggest that the world price formula should be based on the Adjusted World Price, rather than on the current formula. Target Prices were begun as a market-oriented approach to supporting farm incomes. The gradual reductions incorporated in the 1985 Act have brought the target price down 10% from the levels of 1985. At the current level the target price reflects the cost of producing cotton and we do not support further reductions. Calcot urges the committee to consider using the cost of production when determining appropriate target price levels.

The marketing loan has worked for cotton. While our industry has struggled to find agreement on a proper formula for establishing the A.W.P., we believe that the basic concept is sound. Calcot supports the current formula including the discretion that is given to the Secretary to adjust the A.W.P.

When it becomes necessary for a program limiting acreage, it is important that the program be voluntary, not mandatory. If farmers wish to take advantage of the benefits, they would comply; if they wish to stay outside the program, they should be given the opportunity of free choice. Without this, our farm program becomes no different than a centrally planned economy.

However, with voluntary programs, it is necessary that the Secretary of Agriculture be given adequate tools to enact his programs. There must be some incentive for growers to participate. Deficiency payments can induce compliance if allowed to do so. But the $50,000 payment limitation prevents this from working. In voluntary programs, we are paying growers in return for their participation, in the same way we would pay someone to construct a building. Would there be any construction if we decided to limit our payment to only $50,000 no matter the size of the building? For voluntary programs to work, the payment limitation must be eliminated. Particularly onerous is the $200,000 limit on benefits from the marketing loan. This program discourages efficient producers and should be eliminated.

Payment limitations have not worked to reduce government costs. The only change in costs has been the increased costs of administering the program and in legal and accounting costs to the growers.

Perhaps the one certainty in agriculture is uncertainty. Conditions change constantly and farm programs must be flexible enough to adapt to the changes. The 1985 Act mandated that the Secretary administer a program to assure a carryover of 4 million bales. Calcot believes that it would be more appropriate to consider the ratio between ending stocks and use when determining the cotton program. We urge that a goal of 30% be used in evaluating what Acreage Reduction Program is needed.

Flexibility has been a key word in discussing the 1990 Farm Bill. Calcot suggests that a key reason that flexibility has not existed in the current program has been cross compliance. We urge that the committee prohibit cross compliance as a condition of participation in the cotton program.

We also believe that flexibility is best addressed by allowing growers to evaluate their planting intentions along the lines of this year's wheat program. In this case a grower would be allowed to plant additional acreage, but would do so realizing that this additional acreage would not be eligible for deficiency payments. This is similar to the half-ARP option permitted in the 1985 Act, a provision the Secretary has not chosen to implement.

As a result of changing supply/demand considerations, some people have suggested postponing the announcement date from November 1 to January. This would be extremely detrimental to Western producers. Our growers begin preparations for next season as soon as they harvest. We need an announcement no later than November 1 and many growers would prefer knowing earlier. If conditions change, the Secretary could announce additional paid diversion or could allow amended contracts with additional acreage outside the program, but the basic program must be announced by November 1.

With regard to acreage bases, Calcot supports the current formula, but encourages the committee to standardize the formula across commodities. The current one year lag in ELS base calculation combined with the restriction on building ELS base without reducing base on another program crop can lead to a grower losing their base. This situation must be remedied.

Yields used for program purposes should be based on historical yields. The current practice of using yields frozen at 1985 levels encourages inefficient producers. We urge the committee to return to the use of moving historical yields.

Nearly 40% of the cotton produced in the world comes from Russia and China. Neither of these countries are signatories to GATT. We hope any agreements reached in GATT take this into account. Before GATT negotiations conclude, Calcot urges that crop specific impact studies be conducted.

The concept of producer-financed research and promotion has been strongly supported by the cotton industry. Cotton Incorporated has been a proven success and we support the current legislation to provide for a uniform assessment.

You may hear some in the industry call for major changes. Calcot believes in maintaining what works. The 1985 Act has worked. While we support fine-tuning of the legislation, we urge the committee to support the basic concepts of the 1985 Act. Calcot believes that the 1990 Farm Bill, if drafted along these lines, will allow for continued expansion of demand and will permit cotton growers to share in the prosperity of the industry.

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

Field Hearing
November 4, 1989
Fresno, California

Statement of Mr. George E. Butts
Director, California Beet Growers Association

Mr. Chairman and members of the Committee, my name is George E. Butts. I am a Director and Past President of the California Beet Growers Association and a farmer from Los Banos who grows sugar beets, cotton, dry beans, and alfalfa.

I appear before you today on behalf of the California sugar industry. This industry consists of grower members of the California Beet Growers Association, the Delta Sugar Corporation, the Holly Sugar Corporation, the Spreckels Sugar Company, and the California and Hawaiian Sugar Company and the labor unions representing processor employees. We appreciate the opportunity to express our views.

Mr. Chairman, we are concerned that although the Secretary of Agriculture has authority under the 1985 Farm Bill to increase the sugar support price based on certain criteria, including cost of production, he has elected not to do so. The sugar loan level of 18 cents per pound raw value has remained unchanged over the life of the legislation.

My costs of producing sugar beets have increased substantially. Last year the California Industrial Welfare Commission increased the minimum wage in California by nearly 27 percent. This increased the wages paid my part-time unskilled employees. It also impacted the wages paid my full-time people, who are paid wages much higher than the minimum, since I tried to maintain the wage relationship between the skilled and unskilled employees at the same level before and after the minimum wage increase.

In 1987 new requirements were placed on me by the Immigration Reform and Control Act which requires certain precautions in hiring and paper work to show that I do not hire illegal aliens. If I do not meet the requirements, harsh civil penalties can be imposed. To meet the requirements is costly and time consuming.

In California, before I can apply most agricultural chemicals, I must meet certain timetables for documenting the timing and type of materials, standards for applications, and plantback and other restrictions. All these requirements take time, and time costs money.

I use these examples not to complain but to point out that my costs to produce beets are impacted by governmental actions that I cannot control. These are costs borne by U. S. sugar growers and processors that are not imposed on foreign producers.

Mr. Chairman, I could continue to point out other examples of increases in my costs of producing sugar beets, but I believe these are better shown in the USDA's cost study on the 1988 Crop. The detailed study shows that the total cost of producing sugar beets in California increased between 1984 and 1988 by $113 per acre. This represents an increase of over 13 percent to growers' actual cost. The USDA has the authority, but they have not acted to increase the loan rate to help a grower recover part of these costs.

This cost/price squeeze increase is reflected in the reduction of sugar beet acreage in the state. During the period 1985 to 1988, sugar beet plantings in California averaged 204,000 acres; whereas, in 1989 the cost/price squeeze resulted in only 174,000 acres for harvest.

The sugar business is an integrated industry. Both the growers and processor are dependent on each other. If one party fails, the other fails. One processor advised me that their total fixed costs over the past five years have increased by 12 percent. With this increase in total fixed costs, the per unit cost increases dramatically with volume declines.

It appears that we may see a slight improvement in sugar values for 1989 due to a reduction of acreage in California and disease and drought and other crop related problems in the various beet growing areas.

When the weather-disrupted production in other areas returns to more normal levels and as sugar prices decline to levels more closely related to the current loan level for sugar and with no substantial increase in volume, our processors could be in real trouble and growers could lose a market for their sugar beets.

We urge that your committee review this matter with the Secretary of Agriculture. There has been a substantial cost increase for growers and processors of sugar. The Secretary has the authority to improve the support level for the 1990 Crop. Now is the time for him to act to bring the sugar support levels in line with the intention of Congress.

Mr. Chairman, a strong sugar policy is extremely important for our industry and the economy of our state. The sugar produced in the eight California beet producing facilities and the Hawaiian produced cane sugar refined at Crockett by California and Hawaiian Sugar Company represents nearly 18 percent of the total U. S. production.

The value of the sugar and by-products is about three quarters of a billion dollars; and when the multiplier affect of the sugar sales, wages, taxes, and other economic factors are considered, it places the value of our California industry at well over $2 billion.

The various segments of the sweetener industry are currently working to develop recommendations for sugar provisions for inclusion in the 1990 Farm Bill. When those decisions are made, they will be forwarded to the Cotton, Rice and Sugar Subcommittee of the House Agriculture Committee.

We appreciate the Committee's efforts to visit the Central Valley of California to learn more about agriculture in our state and how governmental policies can impact our operations.

Rancho Vina Verde

Mr. & Mrs. Walter A. Shubin
17357 W. McKinley
Kerman, Ca. 93630

Mr. Chairman and Members of This Committee:

I appreciate the opportunity to appear before you today to discuss the Food Security Act of 1985.

This subject will be quite easy for me because I happen to be one of the victims of the 1985 Farm Bill.

No human being should have to endure the pain and suffering that my wife and I have endured for over 4 years.

I can't even imagine the pain and suffering that over half a million farm families went through that lost their life savings, all their possessions, forced from their land and out of their homes. I have done some traveling across our great country to farm crisis meetings, listened to people tell their personal horror stories-each one would make everyone in this room sick to their stomachs. For some farm families that have been on the same land for 10 generations, even survived the last depression, only to lose their land because of the 1985 Farm Bill. Can you imagine in one state alone, Oklahoma, in the last six years there were 160 suicide deaths due to stress because of loss of their land, their homes and everything they worked for all their lives.

I'm sure you have heard that the 1985 Farm Bill is working, stay the course. Gentlemen, this bill is a complete disaster! When this country loses well over half a million farmers, something is wrong!

Under current administration policy, the nation's farmers realize a return on equity of "MINUS" 13.4 percent - according to Forbes, food processing conglomerates over the last several years have averaged outrageous returns on equity of "PLUS" 33.4 percent. This present Farm Bill is working for the commodities tradesmen, not the farmer.

Something has to be done with trade. We can't continue with our present Free Trade policies - we are the only country practicing Free Trade - we need "FREE AND FAIR TRADE". Most other countries have tariffs on our farm commodities, thus protecting their FARMERS, but our government expects us to export most of our farm commodities at below our cost of production.

We need a complete new Farm Bill for 1990. We need a loan program. Prices **must** be based on our cost of production. This can be achieved by a reasonable management program.

Under the Steigel Ammendment 1942 thru 1954, farmers were on par with the rest of our economy. Farmers made a profit, we had a balanced economy, we were the richest country in the world and the program didn't cost the government or taxpayers a penny. Now, under our present program, we are the biggest debtor nation in the world.

NO other industry in the American economy is asked to sell their product below their cost of production. Yet the American farmer has been expected to do this under the 1985 Farm Bill.

Our country needs a balanced economy for all segments: Agriculture, Industry and Service. This is the only way we can have a balanced budget.

Submitted by

WALTER A SHUBIN
November 4, 1989

TESTIMONY BY THOMAS S. CASTLE

HOUSE AGRICULTURE COMMITTEE
FRESNO, CALIFORNIA

NOVEMBER 4, 1989

I am the previous owner of a 683-acre parcel of land in Merced County , California, and for the last two years have been fighting a battle with Farmer's Home Administration (and now with the United States Fish and Wildlife Service as well as the California Department of Fish and Game) over the right to exercise my leaseback/buyback rights as established in federal law. Because my case demonstrates a serious problem in the federal administration of agricultural lands, I wanted to bring some of the issues regarding conservation/environmental issues arising under the Food Security Act to your attention. I don't believe that the current adminstration of these programs reflects Congressional intent.

My problem began when my farming operation was the victim of two years of drought and another year of unusual early rains which caused severe problems in my seed production business. It left me in the unfortunate position of owing more to FmHA than liquidation of all assets can cover. FmHA held a second deed of trust on the property I owned known locally as the McCabe Ranch.

A "balloon" payment to the first mortagagor was due on February 16,1988. I discussed the problem with the Mercd County FmHA Supervisor and told him I did not want this loan to go into default because it would affect my efforts to sell the other properties so as to repay, to the fullest extent possible, my debt to FmHA. I told the Supervisor I could probably get an extension from the mortgage holders if FmHA approved, but the Supervisor informed me that FmHA rules did not allow this. That news was extremely disappointing because I had accomplished an arrangement like this on a different piece of property the previous year, and had hoped I could work with FmHA in the same way on this parcel. Later, the Supervisor advised me that he had been wrong, and this actually could be done, but by that time the mortagage holders had problems which forced them to change their minds. I had originally been told that I could sell another property for cash and use part of the proceeds to pay off this mortgage but when I found a cash buyer I was told that this was not allowed either. I appealed this to Washington and the verdict was that this would be in the best interests of the government and was approved. Because of the passage of time, the Buyers purchased a different property. As a result, the mortgagor foreclosed and FmHa purchased the land at auction. Nevertheless, I had been assured all along that if that happened, I would have the legal right to lease or repurchase the land under FmHA Regulations.

Unfortunately, it wasn't that simple. Within five minutes after the sale, the FmHA Supervisor told me that if the land did become available for me to lease or repurchase, it would probably have a Kit Fox conservation easement on it. That statement was prophetic. As the events have developed, the actions taken by FmHA, USFWS and California's Department of Fish and Game, may have rendered the land worthless for my farming purposes. Further, I doubt the property would be of much interest to anyone if the conditions that have been outlined applied, since the easements requested would render the property unfarmable from an economic standpoint.

Basically, FmHA began by providing me with a recommendation from USFWS that stated that since animals that were "probably" San Joaquin Kit Fox (an endangered species under federal law and listed as "threatened" under California law) had been sighted on adjacent properties, the ideal use for this land was to have the federal government GIVE the 683 acres in fee title to the State of California for the establishment of artificial Kit Fox habitat on the acreage. I attach a map for your review, but please note that this property is immediately adjacent to Interstate 5, California's major north/south federal freeway. On the west side of the property is State Highway 33 and two major water canals. Further, the property is cut east to west by McCabe Road, and is the sole access to a National Cemetery scheduled for improvement within the next year. Given the fact that no Kit Fox had ever been sighted on the 683 parcel itself-- but only on "adjacent properties" -- this doesn't seem like a prime area in which to establish an artificial Kit Fox habitat, especially when under federal law I have the right to lease and repurchase the property.

I began objecting, and there were a series of meetings in which USFWS personnel emphasized that the federal government had the right, under a Memorandum of Understanding executed between Farmer's Home Adminstration and USFWS, to take this property and decide, first, if it had any environmental value whatever, and only if it did not, would I be permitted to lease or repurchase it. That is not my understanding of federal law. The Memorandum of Understanding they refer to cite two sections of the Food Security Act of 1985 as their authority for this land grab.

Neither section applies to the specific acreage that I previously owned because it is neither wetland nor floodplain, nor, obviously, is it "critical habitat". In fact, one of the specific sections cited in this Memorandum of Understanding (Section 1314(a)(2)(b)) specifically requires FmHA to first give the previous owner the right to lease or repurchase the property. When I continued objecting that the Memorandum of Understanding did not permit the kind of action that FmHA was advocating, the Agency switched to citing Section 7 of the Endangered Species Act of 1973 as their authority for the actions they were undertaking.

The Endangered Species Act, Section 7, requires all federal agencies to insure that any action they take "is not likely to jeopardize the continued existence of any listed species or result in the destruction or adverse modification of critical "habitat". It is clear that under this authority, the actions of FmHA are not supportable since obviously the land is not "critical habitat" nor anything remotely approaching it.

Further, there is no federal action involved that would jeopardize, in any way, the continued existence of any listed species. The only action FmHA would take is to permit me to lease and then buy back the property that I previously owned. Obviously that paperwork transaction will have no impact on any listed species.

Both my attorney, Karen Russo, and I have argued this point for almost a year to little avail. Approximately 60 days ago, the FmHA State Director referred the matter to USFWS for a "formal consultation" the authority for which he cites as Section 7 clearly does not apply to my situation since there is no federal action that will have any impact on any listed species, even this "formal consultation" is without legal authority. Additionally, this 90-day (at least) consultation period only delays my leasing and repurchase of the property. to date, the United States Government had lost at least $70,000 in cash, which could have been earned if they had permitted me to lease the property for the year that has passed since this dispute arose. The land now sits empty and unfarmed, resulting in a loss to me, the government and the taxpayers. Instead of permitting me to lease the property so that I could continue farming it in the way that I have for the last several years, FmHA has established a rental rate for the acreage that is truly unconscionable, probably to keep me off while they and the environmentalists find a way to make this into a Kit Fox preserve. The rental rate offered me is higher than any going rate established for similar property in the area, and would be nearly impossible for me to accept since paying that rent would probably keep me from making even a marginal profit on the land.

Worse yet, the lease agreement that has been offered me informs me that I must establish permanent irrigated pasture on 160-acres of the 683-parcel for the benefit of the Kit Fox!

The most glaring condition is that this is a one year lease cancellable pending the outcome of the Fish and Wildlife determination!

The requirement for irrigated pasture on 160-acres, as a prerequisite for leasing this 683-acre parcel in total, is clearly unacceptable. I am a vegetable and row crop farmer and have never had any cattle operation. To require me to establish irrigation, permanent pasture, pipeline, fencing and crossfencing, and apparently to acquire cattle for a 160-acre parcel, to justify the simple leasing of land that I have farmed for many years, is a requirement that makes no sense whatever. This is unreasonable, even if it were economically viable -- which it isn't. FmHA apparently forgets that I would have to pay both water and pumping costs to irrigate this 160-acre parcel, would have to purchase cattle to justify the existence of pasture since the lease prohibits my subleasing any of the property, I could not sublease to a person who is in the cattle business.

I must remind you once again that there is no history whatever of any Kit Fox ever living on this 683-acres. The land has been intensively farmed for approximately the last 40 years, and would not have been prime area where Kit Fox would be likely to live. FmHA commissioned a study from a biologist who in three nights of observation saw what may have been a single Kit Fox a few feet over my property line -- directly across from an artificial den that had been established on adjacent property! On the basis of this "official" biological assessment, they continue to assert that my land must be used for habitat enhancement purposes for the Kit Fox, and that even if I am able to repurchase the property, it is likely that I will have to manage all or a portion of the property for benefit of the Kit Fox.

Clearly, this kind of bureaucratic gamesmanship is not in the best interest of the United States Government. Not only are these agencies spending an incredible amount of time attempting to secure a 683-acre parcel that is totally unsuitable for Kit Fox, both because it is surrounded by busy roadways, 130-foot canals, and is within the "urban reserve" designation of the Santa Nella City General Plan, but also because this parcel of property has never before played host to any of the species they are trying to benefit. Further, they have lost one full years rental that I would have paid if I had been able to lease the property.

Beyond that, if the federal government decides to transfer all or a part of this parcel to the State of California for the State to manage for the benefit of the Kit Fox, the federal taxpayers will lose the entire value of the parcel. The current appraised price of this 683-acre parcel is approximately $1.9 million. If this property is given to the State of California for their use for environmental enhancement, the federal tax payers will be out the value of that property, which, if given the chance, I would repurchase so as to continue my farming operation and thus make the taxpayers whole.

Because much of this nonsense has been carried out under the Food Security Act of 1985, I would ask that you review the environmental and conservation requirements of that document before the 1990 Food Security legislation is considered and enacted. It doesn't seem to me that this kind of activity is what Congress had in mind when the existing legislation was passed. I appreciate your taking the time to meet here in Fresno and listen to the local farmers and others who have comments about farm legislation. Thank you for the opportunity to participate.

Sincerely,

THOMAS CASTLE
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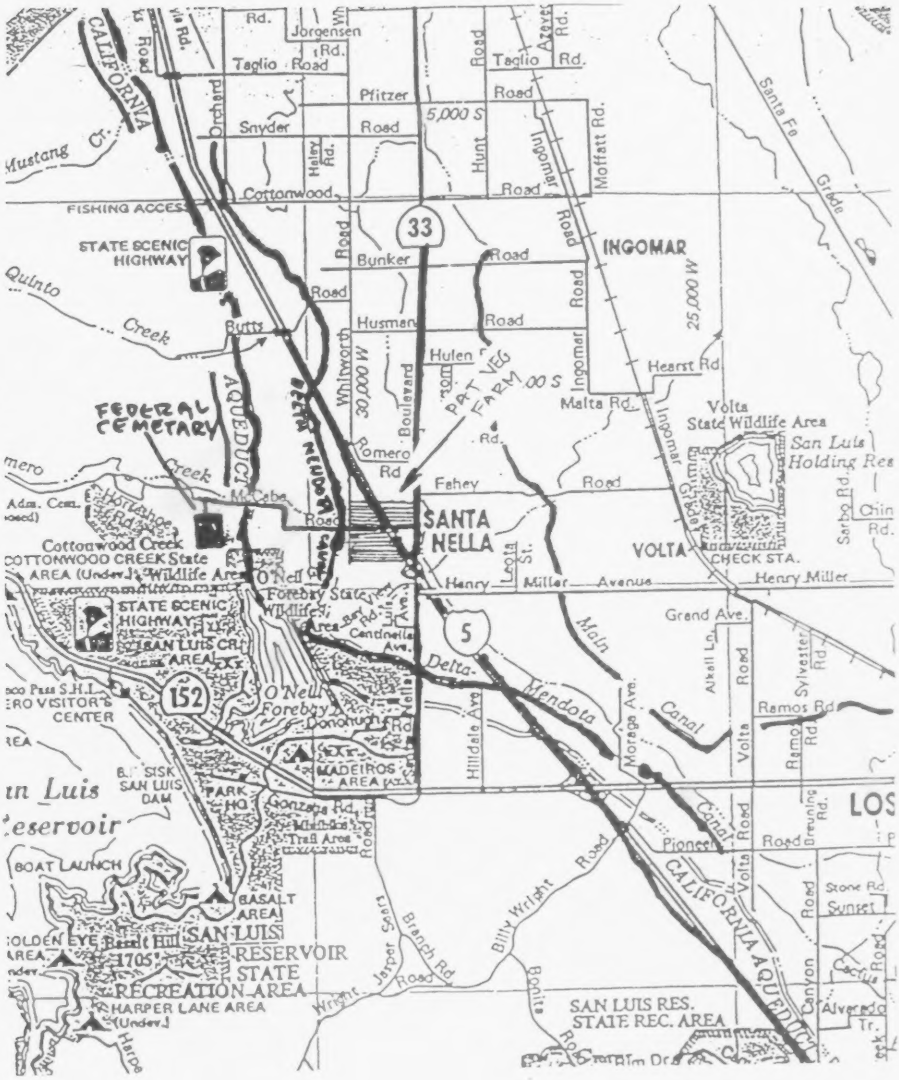
Morgan Hill, CA 95038
(408) 779-3141

(Attachment follows:)


FEDERAL CEMETARY
PAT VEG FARM
SANTA NELLA
INGOMAR
VOLTA
CALIFORNIA AQUEDUCT
STATE SCENIC HIGHWAY
FISHING ACCESS
33
5
152
Taglio Road
Snyder Road
Cottonwood
Bunker Road
Husman Road
Whitworth
Boulevard
Romero Rd
Fahey Road
Henry Miller Avenue
Ingomar Road
Volta State Wildlife Area
San Luis Holding Res
CHECK STA.
Delta-Mendota Canal
Main Canal
O'Neill Forebay
MADEIROS AREA
SAN LUIS RESERVOIR STATE RECREATION AREA
San Luis Reservoir
BASALT AREA
Billy Wright Road
SAN LUIS RES. STATE REC. AREA
Quinto Creek
Mustang Cr.
Cottonwood Creek
LOS

TESTIMONY OF
ALFRED G. MONTNA
VICE CHAIRMAN, U.S. RICE PRODUCERS' LEGISLATIVE GROUP

BEFORE

THE HOUSE AGRICULTURE COMMITTEE

FIELD HEARING ON
THE 1990 FARM BILL
FRESNO, CALIFORNIA

NOVEMBER 4, 1989

Mr. Chairman and members of the Committee, my name is Alfred G. Montna. I am a rice producer from Yuba City, California. I am Chairman of the California Delegation to the U.S. Rice Producers' Legislative Group and I serve with Steward Jessup of Arkansas as Vice Chairman of the U.S. Legislative Group.

California is an active participant in the U.S. Rice Producers' Legislative Group. Our delegation represents rice growers who are members of the two cooperatives and independent producers who contract with proprietary milling firms in our state.

The California Delegation of the U.S. Rice Producers' Legislative Group strongly endorses the rice provisions of the 1985 Food Security Act.

The rice section, we believe, has worked extremely well! Our position is that we would like to extend the program in its present form for a full 5-years.

When the 1985 Food Security Act was signed into law, the U.S. rice industry was in a non-competitive economic situation with heavy surpluses, declining markets, and low prices. Congress knew that, the rice industry knew that, and USDA knew it. The 85 Farm Bill put us back in business!

Today, the U.S. rice industry has recaptured lost markets, we have a competitive economic position, we have a level of prosperity in our industry that is generally satisfactory, and surpluses are gone.

Let me briefly share with you some data which I believe demonstrates the effectiveness of the 85 Program.

- On August 1, 1986, there was 64.7 million cwts of rough rice in the U.S. inventory. The Commodity Credit Corporation owned 44.3 million cwts of that inventory. Today, CCC carries no surplus rice stocks in its inventory of farm commodities.

- In California, 4.7 million cwts of rough rice was forfeited to the Commodity Credit Corporation for loan value in 1984-85. That was 15 percent of the 1984 California rice crop.

The 1985 Food Security Act has done its job. Stocks are in balance with demand! We're selling what we grow!

As producers we recognize there were several factors...accounting for this remarkable turnaround in our inventory and our competitive economic situation.

- The rice marketing loan program has made U.S. rice competitive in world markets.

- We believe the rice marketing loan program has been instrumental in reducing overall costs of the rice price support program by helping reduce burdensome inventories that were overhanging the market and eliminating costly Commodity Credit

Corporation acquisitions through forfeiture and the subsequent very high cost to maintain and store that inventory.

- The Export Enhancement and Targeted Export Assistance Program also helped immensely.

- Additionally, U.S.D.A. has a better handle today on U.S. rice stocks and more accurate information on which to administer the set-aside program. By carefully administering the set-aside program, the Department has been able to balance production with demand.

The 1985 Farm Bill helped create a more competitive and profitable U.S. rice industry. Looking to the 1990 Farm Bill, we support continuation of the rice program in its present form.

- Protecting farm income through maintenance of the current target price structure remains important. With inflation and current production costs, we believe the target price level is exactly where it should be.

- Establishment of competitive loan rates through a continuation of the marketing loan is necessary if we are going to keep our renewed economic prosperity in the rice industry.

- The continuation of aggressive export programs is important.

- With the Uruguay Round of GATT entering a critical stage, it seems vitally important for the U.S. not to unilaterally eliminate or make major revisions to existing farm policies. U.S. rice farmers cannot compete with governments that unfairly subsidize their rice producers.

- Market access continues to be high priority for U.S. rice producers and our trade imbalance problem. How much longer can we wait before there is meaningful, successful negotiations between our government and that of Japan over the rice access issue?

- There has been massive restructuring in the U.S. rice industry as a result of the "Person Definition" legislation passed by Congress two years ago. Let's give that program more time before we rush out to establish any new rules. From all indications we've seen, the payment limitation and enrollment programs are working very well.

- We ask that the $50,000 payment limit be continued at its present level.

Mr. Chairman, there has been considerable discussion about "flexibility" in U.S. farm programs. While we are not against more flexibility for producers and government farm program policy makers, we do want the record to show that through such programs as triple base, etc., the rice industry would not necessarily participate and no major shift in plantings would occur. Rice is a unique crop where the land is often not suitable for other program or oilseed crop production.

The triple base approach is strongly opposed by the U.S. rice industry because it is nothing more than a target price reduction in disguise.

We are also concerned that such proposals could disrupt supplies of rice and that our milling industry could be adversely affected if any of those proposals were adopted and such programs subsequently shorted the necessary supply of rice to meet existing market demand.

We ask you to remember that the U.S. rice industry has a reputation as a "dependable supplier" and if there subsequently becomes interest on the part of Congress in "flexible programming," that it be done with moderation and plenty of controls.

We know that there will be those who will lobby hard for provisions in this Farm Bill that will cut down on the use of pesticides, artificial fertilizers, and chemicals in production agriculture.

The U.S. food supply is the safest in the world! Many of the chemicals we use have helped make American agriculture productive and profitable and have insured adequate supplies of food for American consumers and other people around the world.

We do not agree that the Food Security Act of 1985 or any other recent legislation has encouraged heavier and more widespread chemical use. The efforts of some to say that the Farm Bill has provided financial incentives to farmers to use more pesticides and herbicides is simply not true.

Rice farmers, particularly in California, are vitally interested in water quality issues. The U.S. rice industry is willing to reduce agricultural chemical use to the most cost-effective level. However, our industry strongly opposes any initiative which would mandate specific production practices in an effort to address water quality concerns. These concerns need to be addressed at the state and local level where production practices, soil types, and climatic conditions of a specific geographic area can be taken into account.

I ask you to realize that weaning farmers away from chemicals won't happen overnight. Real progress along these lines means adopting a whole new set of management practices that few farmers today have had any opportunity to learn.

Reform, therefore, has to begin in the agriculture schools, through the Cooperative Extension Service, and programs to educate growers about new production techniques.

In California, we're putting our research dollars into new plant breeding programs seeking disease resistant strains, supporting research aimed at development of new, less toxic chemicals, and into production research at our Universities that, hopefully, will allow all of us to reduce our dependency on chemicals.

Finally, Mr. Chairman, California rice producers strongly oppose legislation that would prohibit farmers participation in agricultural commodity price support programs if they are recipients of so-called subsidized irrigation water.

Specifically, we oppose H.R. 2386 introduced by Representative Gejdenson and S. 1032 introduced by Senator Heinz. This legislation, known as the "Irrigation Subsidies Reform Act of 1989" is yet another attempt, by a few, to try to attack the programs of the Bureau of Reclamation...which has developed Western water resources at a price we farmers can afford to pay. Don't think for a moment that American consumers haven't benefited from subsidized water too! Food prices are very reasonable!

We believe it is unfair and punitive to reduce California rice growers' deficiency payments because someone disagrees with Federal expenditures for the development of water resources in the West. We oppose any attempt to include the language of the "Irrigation Subsidies Reform Act of 1989" into this Farm Bill. We ask that you not let that happen.

In summary, we would like to have five more years of the same basic rice program that we've had with the Food Security Act of 1985.

We request that the target price level remain at the same level it is today.

We ask you to continue the marketing loan program and to continue the Export Enhancement and Targeted Export Assistance programs.

We ask that the $50,000 payment limit be continued at its present level and that there be no change in "person definition" rules.

Thank You!

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

HEARING ON ISSUES RELATED TO THE FORMULATION OF THE 1990 FARM BILL

SUBMISSION ON BEHALF OF THE CALIFORNIA AVOCADO COMMISSION

Mr. Mark Affleck
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Date Submitted: November 16, 1989

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

HEARING ON ISSUES RELATED TO THE FORMULATION OF THE 1990 FARM BILL

SUBMISSION ON BEHALF OF THE CALIFORNIA AVOCADO COMMISSION

The California Avocado Commission ("Commission") submits the following comments in response to the House Committee on Agriculture's request for private sector comments on the effectiveness of agricultural development programs authorized by the 1985 Food Security Act and programs to be included in the 1990 Farm Bill.

The Commission is organized under the laws of the State of California and represents all 6,500 California avocado growers. It is broadly responsible for increasing grower returns by conducting advertising, promotion and public relations for California avocados and engaging in industry-related activities that help create a more profitable marketing environment for California avocados. As part of this responsibility, the Commission works actively with the U.S. government on a range of trade policy concerns, including close involvement in U.S. bilateral and multilateral efforts relating to agriculture.

The Commission's comments are in support of the continued authorization of the Targeted Export Assistance ("TEA") program and its inclusion in the 1990 Farm Bill. The Commission has participated in the TEA program since 1986/1987.

I. The Targeted Export Assistance Program

TEA was developed through the 1985 Food Security Act to aid U.S. farm crops injured by unfair foreign trade practices. It was strongly applauded as a welcome addition to the Farm Bill by U.S. agricultural industries, who were struggling to compete against subsidized, low-priced foreign commodities in export markets.

Although at first TEA was intended primarily to aid the large agricultural commodities such as wheat, rice, soybeans and cotton, its scope was soon expanded to include high-value products and specialty crops like avocados. The TEA program's emphasis on promotional assistance has proven to be especially helpful to specialty crops such as ours in offsetting restrictive unfair trade practices in foreign markets.

This success has been possible with relatively low funding of $110 million for FY 1986 through 1988 and $200 million for FY 1989 to 90. Moreover, because TEA participants are given commodity credit certificates, which are sold for U.S. dollars, the program does not require direct appropriations from Congress. Furthermore, the funding is assisted by the program participants themselves, who are required to match FAS funds at certain percentage levels..

II. TEA Has Been Instrumental To The California Avocado Commission's Export Efforts

Prior to the TEA program, the California Avocado Commission participated in a small cooperative USDA/FAS program for roughly eight years. Because of insufficient funding and an eroding U.S. dollar, growers by 1985 were able only to maintain a small program in Japan, with no expansion. It was a frustrating situation of increasing global competition.

During this time, growers suffered personal monetary losses with large crops and insufficient demand. Bankruptcy occurred and many growers turned off water and walked away from their groves, not able to survive mounting water and labor expenses, along with adversities of weather.

With the aid of the first TEA funded program, California avocado growers were able to attain the highest level ever (11 million pounds) of exports of avocados to Japan, its major targeted market. TEA has also been instrumental in helping California avocado growers expand into new markets, such as

Korea, which was recently opened to avocado imports in July, 1988. TEA has helped our industry advertise and promote the "California" image, which consumers worldwide perceive as good value for the price they pay for quality fruit.

California avocado growers, having worked in partnership with the TEA program for three years, clearly see the benefits of this partnership with its government in promoting U.S. trade abroad. Without government assistance, our industry could not afford to promote and advertise California avocados in needed export markets.

The TEA export program has also aided growers in keeping price stability in our domestic market, which is essential to help maintain a fair return for the growers.

The TEA program is a compliment to the USDA/FAS, who have nurtured it, and to the Senate and House Committees, who have seen its merits since inception and have chosen to support its growth.

III. TEA Is Needed Today To Combat Foreign Trade Practices

Absent global agricultural reform, TEA is needed to revive and strengthen the United States' export position. This is especially important for the California avocado industry, which faces unfair competition from both exporting and importing nations.

Mexico and Israel, both important avocado producing countries, subsidize their avocado production and have targeted avocados for export growth. Mexico, the leading avocado producing country, has been able to make substantial inroads into key export markets such as Japan and Europe, benefiting from government support programs and favorable GSP duty rates. Israel, aided by illegal tariff preferences and government subsidization, has historically dominated the European market.

Importing nations further restrain U.S. avocado exports through tariff and nontariff barriers. Korea bans the importation of processed avocados and assesses a 40% ad valorem tariff on fresh avocados. Japan imposes an unjustified fumigation requirement on fresh avocados. Spain bans U.S. avocado exports while Australia restricts avocados based on unsubstantiated phytosanitary restrictions.

Until global reform is achieved, TEA monies are needed to help offset the global displacement caused by these unfair trade practices.

IV. Conclusion

For the reasons stated herein, the California Avocado Commission requests this Committee's support in recommending reauthorization of the TEA program through the 1990 Farm Bill.

Respectfully submitted,

Mark Affleck

Mr. Mark Affleck
President
California Avocado Commission

CALIFORNIA WOMEN FOR AGRICULTURE
Salinas Valley Chapter

U.S./Mexico Trade

Imports of fruits and vegetables into this country from Mexico have risen at an alarming rate in recent years. This increased production and competition from Mexico is an issue that is of very great concern to members of California Women for Agriculture as well as agricultural leaders and producers throughout the state. As imports continue to absorb a larger share of the U.S. market, our growers in California will have fewer ways to adjust their production practices in order to remain competitive and keep the markets and jobs that they have worked so hard to establish.

The comparative advantage that California fruit and vegetable producers once had is now being eroded by foreigners importing competing products into this country. Growers in Mexico do not have to abide by the same laws and regulations administered by the E.P.A., O.S.H.A., I.N.S., Department of Labor and the many other agencies that contribute to increasing production costs for domestic producers thus putting us at a comparative disadvantage. With each new law and regulation enacted by our government, our state's growers become less competitive, both domestically and internationally. This, coupled with the fact that Mexico's overall production costs are lower, with labor estimated at 10% of the prevailing wage rates in California, is making it increasingly more difficult to compete. Although these lower wages in competitor nations may create a cheaper product, these savings are not passed on to the consumer. Imported produce, when it reaches the U.S., is marketed at the same price as the domestic product, thus creating a tremendous profit for the importers thereby making importing foreign produce even more attractive.

The Mexican government, aided by U.S. investors, has encouraged Mexico's farmers to shift their production from the basic food grains and staples to higher-value specialty crops aimed at the U.S. market. This is their way of raising more tax money to enable them to pay off their huge national debt, much of which is owed to commercial banks in the U.S.. This move will increase the demand for grains in Mexico, a product that is in chronic over-supply here in the U.S., and will pit these commodities against fruits and vegetables produced here in California thereby further weakening our position. As Mexico's production of specialty crops continues to rise, our markets will be flooded with the increased supply. This will exert downward pressure on prices received by our growers, further reducing the profitability of farming here in California. The competition that California farmers now feel from Mexico is due, in large part, to American growers and investors who have moved their operations south of the border into Baja California, where harvest periods compete directly with the harvest periods in this state. If this trend continues, spurred on by a liberalization of investment rules in Mexico, more U.S. farming operations will move out of this country creating a further loss of jobs here.

The positive diplomatic climate that now exists between the Bush Administration and Mexico's newly appointed President, Carlos Salinas de Gortari, has brought our fears even closer to reality. The Administration has been impressed with Mexico's increasing imports from the U.S. of various products along with the steps Mexico has taken to further liberalize its trade and investment rules for foreigners. Because of this, our government has become even more anxious to give Mexico what it wants under a special trade arrangement that would allow the U.S. to export more wheat and other grains to Mexico and, in return, open the way for imports of Mexican produce by eliminating tariffs on these products. This would happen at the expense of California specialty crop growers.

Californias fruit and vegetable growers have built the reputation of being among the most efficient and innovative growers in the world. We are an independent group who have asked for little government intervention or assistance in the past as opposed to other groups in the farm sector. This issue is extremely important to us! If imports are allowed to enter our markets at a rapidly increasing rate and compete directly with crops produced here, we will not be able to remain competitive even in our own markets. It is unfair to sacrifice our industry here in California in order to benefit foreign interests and less efficient farmers in other parts of the country. Both as a farmer and a member of C.W.A., I urge you to consider the consequences of a bilateral trade agreement with Mexico allowing for zero tariffs on many Mexican products that have been historically grown in large amounts here in California. It is getting increasingly more difficult to compete with Mexico's cheaper labor and overall production costs - this would be devastating to our industry.

Tracy M. Bengard

Salinas Valley C.W.A.

Tom Bengard Ranches
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CALIFORNIA WATERFOWL ASSOCIATION
3840 ROSIN COURT • SUITE 200 • SACRAMENTO, CA 95834 • (800) 424-DUCK • (916) 648-1406

November 9, 1989

Honorable E. de la Garza, Chairman
Committee on Agriculture
Room 1301 Longworth Building
Washington, D.C. 20515

Subject: 1990 Farm Bill

Dear Mr. Chairman:

The California Waterfowl Association is a state wide non-profit organization whose objectives are the preservation and restoration of waterfowl and waterfowl habitat in California. A brochure describing its activities is enclosed.

The Association is very interested in the provisions of the 1990 Farm Bill and is following its development closely. We requested the opportunity of testifying at the Fresno, California hearing, but this was not possible so we are submitting this written testimony instead.

The 1985 Farm Bill contained many provisions which benefitted wetlands and waterfowl habitat, and we hope that the 1990 legislation will retain those provisions and add the following improvements as well:

A. CONSERVATION RESERVE PROGRAM

1. Expand the types of wetlands eligible to participate in the Conservation Reserve Program to include previously drained wetlands which have been converted to crop lands. In the Central Valley of California, virtually all (92 percent) of the historical wetlands have been lost - primarily through conversion to irrigated agriculture. Therefore, the eligibility of such lands is an all important first step for any CRP in that area.

2. The CRP should also include an extra payment to cover a part of the cost of reestablishing wetland habitat on the converted land. The conversion cost in California will be at least several hundred dollars per acre and

substantially more if extensive water facilities are involved.

3. We concur with and support the concept that a minimum of 25 percent of the CRP land should never be cut or grazed and that grazing on the balance should be deferred until after the nesting season.

4. The bill should contain a requirement that any land put in ARP or PLD must be a multi (three) year set-aside in order for habitat to develop which provides significant wildlife values. In addition, the establishment of cover crops on these multi year set-aside lands should be mandatory.

B. WATERBANK PROGRAM

We understand that proposals have been made to convert the Water Bank Program from an annual payment per acre to a conservation easement program. In California, this would be a highly unfortunate and undesirable change. Water Bank has been in operation here for fifteen years, and it has been highly successful. So much so that the state of California will start a similar state funded program in July in an effort to take care of the large long standing back log of willing participants.

Water Bank provides two wetland/waterfowl benefits. It assists in preserving existing wetlands through its incentive program, but its most important function is the mandatory improvement in wetland habitat values which are a requirement of the contract and enforced through an annual inspection.

The remaining wetlands in the Central Valley are not natural marshes. We call them managed wetlands. They are wet because man puts water on them. The management intensity on these wetlands directly determines the productivity of the land and the cost of managing it. An incentive which results in higher productivity is a very cost effective technique for maximizing wetland benefits.

The Department of Agriculture has recognized this dual role and the relative importance of the benefits by allowing eighty percent of full Water Bank payments on lands that go into the U.S. Fish and Wildlife Service's conservation easement program.

C. SWAMPBUSTER

California is still losing wetland acreage albeit, at a slower pace. In the Central Valley, in particular, improved

Swampbuster provisions would make a major difference. The two principal changes should:

1. broaden the scope of the current law to prohibit draining, dredging, filling or leveling of current wetlands.

2. require local ASCS committees to carry out the provisions of the current law.

We appreciate the opportunity of providing this testimony and hope it will assist the committee in its deliberations.

Sincerely,

D. Chapin

D. Chapin, Chairman
Resources Committee

DC/ms
Enclosure

cc: Honorable Pete Wilson
Honorable George Brown
Honorable Leon Panetta
Honorable Gary Condit
Honorable Walley Herger

TESTIMONY OF

THE HONORABLE JIM COSTA
MEMBER, CALIFORNIA STATE ASSEMBLY

NOVEMBER 4, 1989

I. Food Safety

Food safety is a big issue and one that will be with us for a long time to come. I believe that some sort of meaningful policy must be set - and that policy must be uniform throughout the U.S. I don't believe that standards should be lowered. In California we have the toughest standards of any of the states and we also have a testing policy that is number 1 throughout the world. We firmly believe that we have the safest food supply in the world.

Recent legislation, AB 2161, sponsored in part by the Assembly Rural Caucus has strengthened our testing procedures, increased the number of tests to be performed and implemented pesticide residue testing of processed foods. In addition, farmers will log all chemicals used and research will be done into alternative pest management programs. New tolerance levels taking into account infants, children, the aged, and special dietary needs of ethnic groups will be developed.

II. Farmworker Housing

There is a tremendous need for migrant housing in CA. At present we estimate that 50,000 migrant workers need housing. (Based on 1977 Farmworker Housing Assistance Plan and 1987 Migrant Farmworker Housing hearing.) We have 7 applications pending approval at this time with FmHA. Under Section 514, nationwide there is $11 million dollars available and an additional $11 million is available under Section 516. This is not enough money. For example we recently completed the Harney Lane project of 100 units, day care center, maintenance shed and manager residence for a cost of $4.7 million. AB 617 (Frazee) authorizes 500 units to be built in San Diego County - $500,000. That money will be used for "seed", EIR, architects, etc. Cost to build the units will reach upwards of $20 million. We need development money.

Ca. is the leader is farmworker housing. We have approval for 100 units in San Joaquin Co., 43 in Fresno Co., reconstruction of 2 old state owned migrant farmworker housing buildings in Stanislaus Co., and reconstruction for 87 units in Madison. (Madison facility alone is $4 million - already approved).

Other states are slowly learning of the program and that it is 90% grant, 10% loan at 1% interest. Right now money for our 7 pending applications probably won't be available for 3-4 years. More money must be available for the program so that we can try to keep up with demand.

III. Earthquake

There was extensive damage to agriculture in the October 17, 1989 earthquake. Production agriculture damage is estimated to go as high as $80-95 million. A lot of the damage won't show up for 6 months or longer. The possibility of unseen damage, i.e., underground irrigation systems, pumps, wells, etc. won't be seen for a long, long time.

Federal SBA loans are available to processors but not to production agriculture people. However, the definition of "processor" seems to be on a "flip of a coin". Production ag is referred to FmHA. You have to meet their requirements of a "small family farm" which means that you employ 2 or less full-time people and that at harvest time most of the work is done by the owner and family. Few, if any will qualify in California. Then there are the nurserymen - they aren't processors so SBA is out and FmHA doesn't consider them the be ag, so they don't fit in anywhere.

As of October 30, 1989 damage in Santa Cruz County alone for all of ag, processors and production was at $15 million and counting. Production ag was at $9 million.

I believe that the guidelines have to be changed so that production agriculture is eligible for SBA loans or that FmHA regulations should be changed to handle disasters of this type.

Thank you.

BLUE DIAMOND
Blue Diamond Growers

November 14, 1989

The Honorable Kika de la Garza
Chairman
Committee on Agriculture
U.S. House of Representatives
Room 1301, Longworth House Office Building
Washington, D.C. 20515

Dear Mr. de la Garza,

Thank you for the opportunity to submit statements regarding the effectiveness of programs enacted under the Food Security Act of 1985. The program of extreme benefit to the California almond industry is the Target Export Assistance (TEA) program administered by the Foreign Agricultural Service (FAS). Blue Diamond Growers has found the TEA program to be an outstanding export promotional program which has been indispensable in building new markets.

Using the Blue Diamond brand in partnership with FAS to create almond awareness has brought about increases of approximately 38 percent in the Japanese almond market. The annual demand for almonds in Japan has been built over the last 30 years from near-zero levels to over 50 million pounds. The Japan market makes $85 million annually for the California almond industry and expects substantial increases with continued promotional efforts.

The almond industry has made significant advances in market development in areas where trade barriers have been reduced. With the help of FAS and an active TEA program, exports of almonds to Korea have greatly increased. U.S. almond exports to Korea in 1978-82 averaged only 36,000 pounds annually. In July of 1985, a quota-type licensing system was eliminated, resulting in Korean imports of 1.3 millions pounds in the period July 1, 1985 to July 1, 1986. The California almond industry shipped 5 million pounds in the 1988/89 crop year valued at $8.5 million. Despite these increased exports, the present tariff on U.S. almonds into Korea of 35 percent tariff presents a constant impediment to further growth in trade. With the continued help of FAS and the TEA program, efforts will be focused on further tariff reductions in Korea and many other countries with similar trade restrictions.

The continuation of the TEA program within the context of the 1990 Farm bill is extremely important to the California almond industry. Assurance of a future program will allow new program applicants who have heard of these successes to join the

NOV 16 1989

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The Almond People®

TEA program to expand their agricultural exports. With the program continuity we can now expect to see major advances in agricultural exports that will be of tremendous benefit in our balance of payments.

In the Omnibus Trade Bill, Congress approved a substantial expansion of the TEA program in recognition of the program's success. It is vital to maintain this program at adequate levels and to leave the program as flexible as possible. The TEA program has been highly beneficial in increasing the market visibility of United States agriculture products in foreign countries. The program is available to both brand and non-brand commodities and products to counter or offset adverse effects on the export of U.S. commodities. We believe it has been a successful program and funds should be reauthorized and expanded within the 1990 Farm bill.

With California yielding the world's largest and increasing almond crop every year, it is imperative that we strive to develop new markets worldwide. With the continued support of FAS and the TEA program, Blue Diamond Growers looks forward to meeting this challenge.

I want to thank the Committee on Agriculture again for their efforts, and the efforts of the complete Congress, in supporting the agricultural industry on this extremely important issue.

Sincerely,

Steven W Easter

Steven W. Easter
Vice President, Member
and Government Relations

STATEMENT BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE CALIFORNIA STATE UNIVERSITY, FRESNO

NOVEMBER 4, 1989
BY
ASSEMBLYMAN BILL JONES
THIRTY-SECOND ASSEMBLY DISTRICT
CALIFORNIA LEGISLATURE

Mr. Chairman, Members of the Committee, welcome to Fresno and thank you for this opportunity to comment on the Food Security Act of 1985 and some issues and concerns I have regarding the 1990 Farm Bill.

The District I represent in the California State Assembly, includes portions of Tulare, Fresno, Madera Counties and all of Mariposa County. This area of the San Joaquin Valley comprises some of the most productive agricultural lands in the world. Our lands are productive because of favorable climates, fertile soils, and ingenious and hardworking men and women, and adequate ground and surface water supplies. Last year, California was the home of over 250 different agricultural commodities which generated over $16.6 billion in gross agricultural sales; of that amount, approximately $6 billion was exported. Consequently, Federal Farm Policy is exceedingly important to California agriculture.

The Food Security Act of 1985, initiated two very popular and highly successful programs designed to facilitate the export of farm commodities. The Target Export Assistance Program and the Export Enhancement Program were created to: 1) Help recapture markets lost in the early 1980's, when some of our trading partners dramatically increased subsidies, thereby putting many of our growers at a competitive disadvantage; 2) Aid in expansion of markets into the Pacific Rim, and, 3) Help keep our farmers competitive in a world market. I strongly urge these programs be continued and strengthened.

The federal price and income support programs of the 1985 Act have achieved their principal goal of being primarily market driven. As the price of a commodity goes up, the government payment is correspondingly reduced. However, there needs to be more flexibility allowing a participating farmer to plant other program crops in excess of his base acreage.

This encourages crop rotations which has the advantage of improving soil fertility and structure. Additionally, this provides more marketing options while being environmentally sensitive.

The goal of the support programs in the 1990 Farm Bill should be to reduce the overall federal agricultural budget exposure while providing maximum cash flow to farmers.

Title XIV, of the Act, addresses agricultural research, extension and teaching programs. I strongly believe that continued support for these programs is vital to our nation's social, economic and political well being. An important component of this title was the establishment of the National Agricultural Research and Extension Users Advisory Board and Joint Council on Food and Agricultural Sciences. These two bodies should be retained.

Recently, Food Safety has captured the attention of consumers, the media and agriculture. It is destined to be the issue of the 90's, according to a recent California Citrus Mutual publication. In recognizing the importance of this issue, Assemblyman Bruce Bronzan and I authored and the Governor signed, The Food

Safety Act of 1989 (AB2161 - CHAPTER 1200, Statutes of 1989). This bill required growers to report all pesticides used, mandates regular testing of processed foods for pesticide residues, establishes a $1 Million research fund which calls for the exploration of alternatives to pesticide use, and other measures which would strengthen California's food safety program.

I believe this is a very important first step in restating the fact that our state's food quality standards have been, and are, the toughest in the nation.

On October 26, 1989, President George Bush proposed a Comprehensive Food Safety Program which is designed to protect the American consumers and our environment from any potential concerns regarding the use of pesticides. I certainly applaud and support the President's efforts and urge the support of this committee.

In closing, I join Congressman Pashayan in urging as early a passage of the 1990 Farm Bill as possible so farmers can make necessary cropping and planting decisions.

Thank you again, Mr. Chairman, for this opportunity to comment.

Tel. 209—745-1222

BAY MEADOW FARMS
Registered Guernseys
10326 Walnut Avenue
Galt, California 95632

November 3, 1989

United States Department of Agriculture
Agriculture Hearings for the 1990 Farm Bill

We, at Bay Meadow Farms, have not been pleased with the Cheap Food Policy of the Government of the United States of America. This has been documented by some published publications such as the CED Report and the Young Executives.

It has been apparent that policy has consisted of keeping the Raw Agriculture Product way below Parity for several decades and more and more farmers are tired of subsidizing the Processor, Distributor and the Consumer. You will note that Farm Prices for wheat, corn dairy etc have not risen to the Parity level of the other sectors of the economy since 1951.

We would like to see all Farm Prices restored to 100% Parity so that the Farm Sector can receive a fair return on investment, labor, etc as do other businesses. By doing this, the Farmers can also receive the monetary profits from all the years of efficiency and working hard and to stay in business and to provide a safe and high quality food to the market for the Consumer.

As it is now when the Farm Producer gets efficient the raw price is lowered. Then the Processor and Distributor gain the profit as the price never goes down to the Consumer even sometimes is increased to the Market and Consumer. A good example of this is Class I Milk in California. It has been lowered at the Raw Product $3.00 cwt but it never went down at the store and in fact the price has increased.

Only in Agriculture where a SCAM called SUBSIDIES have been INTRODUCED TO KEEP THE RAW PRODUCT PRICE DOWN TO THE FARMERS but nothing about the price to the CONSUMER. When reading the credits from the CED Report you will see representatives from all other sectors of the economy deciding on our potential income.

Are we, the Farmer, ever asked to make or offer suggestions on our future earnings???? We don't think they do!!! Everybody else benefit by purchasing the Raw Materials at a continual lower price while Farmers struggle and can not make ends meet, Foreclosure of Farms. They loose their assets of land and equipment etc.

The lowering of price is not for the benefit of the Consumer. As we see it for the benefit of the many Agri-related Businesses that are on the Distributi[illegible]etwork.

Another point we would like to discuss is the totals of Milk entered into the Commodity Credit Corporation. Outside of a few years, we, in the Dairy Industry have produced less than consumed in the last 25 years. So why are all the News Reports of mountains and mountains of Dairy Products??

If it wasn't for the Governemnt's Creative Accounting of adding Year End Carry Over and Imports to the figures which together with the Milk Equivalent present a False Picture to the actual reality. We would also like to see the Committee on Health, Education and Welfare charged for Dairy Purchases during times of budget deficit reduction. They do not want to be charged with increased spending. Why should the Farmer subsidize everyone? Yes, that's right! The Taxpayers, Governemnt etc are not subdizing Farmers but we are subsizing the Consumer, Processor, Distributor etc!!

In fact, since 1952 Agriculture has been shortchanged some $2.3 trillion because we haven't received Parity for our product. In this same time wages for all workers increased from $128.9 million in 1947 to $283.4 trillion in 1986 or 1,981.8%. In this time period, Farm Income increased from $15.2 billion to $36.4 billion or 139.5%. Agriculture's $1 trillion of assets in 1980 has been trimmed to $300 billion by thoese friendly servants in the Fed, working under the tutelage of Paul Volcker.

We want a Fair Price for our Product. We feel Parity Pricing is the way to go. Continuing of the current trend will lead to more foods imported and more deficit imbalance.

Where is the food going to come from in the future as we get less and less FAMILY FARMS and more and more CORPORATIONS?? Who will do the work as Corporate Farming has failed in our area. If imported, how will we be assured the quality of the Food Stuffs To the U.S. Consumer as currently produced and sold? The American Household or Housewife is accustomed to high quality and strict insectidies, antibiotics, growth hormones etc restrictions before the product reaches the market place! How many jobs are lost when foods, etc are imported?

We feel the best interest for the US Government and the American Consumer are FAMILY FARMS AND PARITY PRICING!!. American Agriculture was successful under Parity and was changed in the Truman Administration and do you know why?? That deicion has not been successful!! It created a Bankers Heaven with everybody going in Debt and the Governement included!!!

Very truly yours,

Walter A Kessler

W. Arnold Kessler
Elizabeth Kessler

BAY MEADOW FARMS

MILK SURVEY RESULTS AND CONCLUSIONS

Presented to:

UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURE HEARINGS FOR THE 1990 FARM BILL

About the writer:

I have grown up on a dairy farm in northern California. While no longer living on the family farm, I am aware of situations that affect it.

Professionally, I have worked locally and internationally and have recently completed my Master's of Science in International Business with extensive exposure in economics and statistics.

Written by:

Laura E. Kessler

November 4, 1989

INTRODUCTION: Hello. I am conducting a marketing survey on milk. The survey is used toward the completion of my graduate studies at Saint Mary's College in California. May I ask that you complete this questionnaire and return it in the envelope provided? Thanks in advance for your time and responses.

---

(1) Age Range: 20-35 ______
36-49 ______
50-up ______

(2) Farm size: 0-100 ______
(animals) 101-250 ______
251-500 ______
over ______

(3) Are you satisfied with current prices for your product?
YES ______
NO ______
What is your current price? ________
What price would you like to see? ________

(4) Is your milk being handled by:
Co-Op ______
Independents ______
Other ______

(5) Are you satisfied with current minimum price procedures that are determined by the California Stabilization Board?
YES ______
NO ______
If not, then what changes would you like to see?
____
____

(6) Are you in favor of National base (supply management) program?
YES ______
NO ______

(7) Do you feel that you are justly represented in the market place?
YES ______
NO ______

COMMENTS: ____
____
____
____
____

MARKETING SURVEY RESULTS

It has come to my attention of possible discontentment in the current marketing of your product (milk). In order to have some clarity into the situation, I recently sent a questionnaire to an evenly distributed 50 producers throughout the state of California. Out of the 50 questionnaires sent, 19 replied. The results of each question is provided below.

To begin with, from those who replied, the ages ranged 68% from 36-49, 16% from 20-35 and 16% from 50-up.

Of those who indicated farm size, 31.5% had farms with 101-250 cattle, 26% with 251-500 and 42.5% with over 500.

Pricing is probably at the heart of this questionnaire and at your discontent. From the replies, an overwhelming 90% are not satisfied with current pricing of their product, 10% are fairly satisfied.

Of those who volunteered to give product price, the results are as follows:

CURRENT PRICE	PRICE WANTED
11.70	Whatever market would bear
11.86	---
11.21	13.00
11.64	14.00
11.00	13.00
10.48	11.50
9.92	11.00
10.50	12.50
10.40	12.50
10.80	15.00
14.86	15.86
10.55	11.00
10.75	12.50
10.00	---
12.30	14.00
10.40	11.50
---	1.50 more than current price
	TOTAL 177.36

THE MEAN is $13.64
(177.36/13)

From the responses, 90% producers sell their product (milk) to a co-op, 5% sell to an independent and 5% sell to other.

Current minimum price procedures determined by the California Stabilization Board are satisfied by 49% of the producers and unsatisfactory with 51% of the producers.

National base programs are favored with 56% of the producers and unfavored with 44% of the producers.

Market representation is poor 79% of those who responded and satisfactory for the remaining 21%.

The results of this survey confirm that California producers of milk are currently discontent with pricing and market representation. Interestingly, of those who responded to my survey 90% sell their milk to co-ops. Based on these survey outcomes, I have examined current market conditions to be discussed below and have included an opinion about what can be done to resolve the situation.

Before proceeding further, your (milk producer) competitive environment needs to be assessed. To begin with, milk producers produce a commodity item that must be processed before it is consumed by the consumer. Producing a commodity makes you a price taker (no one has the power to demand price). Selling a commodity puts producers in a perfectly competitive environment because no milk producer has a significant impact to the overall market situation. In fact, if one producer sells out or quits the market may never notice.

Having assessed your competitive environment, demand elasticity needs to be discussed. It is reasonable to assume that the demand for milk is relatively inelastic as it is purchased by American households irregardless of price but rather for nutritious value. Because of this value, consumers are relatively insensitive to price increases.

An evaluation of California co-ops follows as they have become a major intermediary placement for milk in California. Having fewer

California co-ops than milk producers, co-ops should have greater price bargaining power and therefore compete in an oligopolistic environment as a price seeker. However, 90% of those surveyed were unhappy with current pricing in the market.

Having considered a co-op pricing problem, producer microeconomics needs to be discussed. At the moment, a large number of California milk producers are unhappy with current pricing levels. To my understanding, little has been done to relieve their financial pressures. In fact, financial pressures are steadily increasing with rises in feed costs, electricity expenses, veterinarian supplies costs, etc.

So far everything has been held constant (ceteris paribus). However, in actuality macroeconomic developments can affect the selling and buying of milk depending on the economy, consumption, government spending, investment, export/import, and balance of trade. Unfortunately, producers have no control over these macroeconomic developments.

If no action is taken to improve the Californian milk producer competitive conditions, then I predict a rather bleak future for the Californian producers. However, if milk management can be reorganized and restructured, I predict a brighter future. According to the survey results, current co-ops are not managing milk pricing the way they were set up to do. To restore pricing efficiency, my first suggestion is for the producers to form a collective (statewide) group which should provide the producer more bargaining power over price. In order to be more fairly represented in the market place, perhaps this group should be led by an elected or appointed (by the state) official to oversee pricing management. In any event, this proposed collective group structure should provide more fair representation to the producers than currently evident.

My second proposal is to eventually eliminate at least one member of the current chain from producer to co-op, co-op to grocer, grocer to consumer which should increase producer profit potential. My choice is to eliminate Co-ops because they can be replaced with a more efficient price management system. By eliminating the present co-ops and directly selling to the stores, the producers can retain greater profits. Lastly, remember that any decision made today is likely to greatly impact your future starting tomorrow.

Table 14.--Milk: Supply and utilization of all dairy products, 1965-87 1/

Year	Supply: Production	Supply: Imports	Supply: Beginning stocks 2/	Supply: Total	Utilization: Total use	Utilization: Exports 3/	Utilization: Shipments	Domestic disappearance: Fed to calves	Domestic disappearance: Human	Ending stocks 2/
	Million pounds									
1965	124,180	923	5,290	130,393	125,937	1,836	522	2,061	121,518	4,456
1966	119,912	2,791	4,456	127,159	122,300	778	430	1,980	119,112	4,859
1967	118,732	2,908	4,859	126,499	118,247	363	461	1,891	115,532	8,252
1968	117,225	1,780	8,252	127,257	120,550	1,185	586	1,821	116,958	6,707
1969	116,108	1,621	6,707	124,436	119,092	921	498	1,745	115,928	5,344
1970	117,007	1,874	5,245	124,126	118,323	438	522	1,702	115,631	5,803
1971	118,566	1,346	5,803	125,715	120,611	2,458	558	1,635	115,950	5,104
1972	120,025	1,694	5,104	126,823	121,325	1,470	677	1,624	117,554	5,498
1973	115,491	3,860	5,498	124,849	119,641	654	638	1,584	116,765	5,208
1974	115,586	2,923	5,208	123,717	117,831	582	576	1,558	115,115	5,886
1975	115,398	1,669	5,886	122,953	119,110	550	496	1,566	116,498	3,843
1976	120,180	1,943	3,843	125,966	120,257	507	520	1,567	117,663	5,709
1977	122,654	1,968	5,709	130,331	121,705	465	527	1,541	119,172	8,626
1978	121,461	2,310	8,626	132,397	123,668	376	602	1,497	121,193	8,729
1979	123,350	2,305	8,729	134,384	125,785	400	620	1,442	123,323	8,599
1980	128,406	2,109	8,599	139,114	126,155	426	562	1,395	123,772	12,959
1981	132,770	2,329	12,959	148,058	129,680	3,197	586	1,418	124,479	18,378
1982	135,505	2,477	18,378	156,360	136,306	5,095	516	1,521	129,174	20,054
1983	139,672	2,616	20,054	162,342	139,696	3,188	577	1,527	134,404	22,646
1984	135,450	2,741	22,646	160,837	144,133	3,600	634	2,134	137,745	16,704
1985	143,147	2,776	16,704	162,627	148,916	4,805	566	1,747	141,814	13,711
1986 4/	143,381	2,733	13,711	159,825	146,938	1,970	566	1,736	142,687	12,887
1987 4/	142,462	2,489	12,887	157,838	150,471	2,434	602	1,528	145,906	7,367

1/ Milk equivalent, milkfat basis. 2/ Excludes cream and bulk condensed starting 1970. 3/ Government and commercial. 4/ Preliminary.

Table 15.--Butter: Supply and utilization, 1965-87 1/

Year and item	Supply: Beginning stocks	Supply: Production	Supply: Imports	Total supply	Foreign: Exports	Foreign: Shipments 2/	Domestic: Total	Domestic: Donated 3/	Total	Ending stocks
	Million pounds 4/									
1965	71	1,346	2	1,419	66	9	1,292	130	1,295	52
1966	52	1,128	2	1,182	14	5	1,131	51	1,147	32
1967	32	1,238	2	1,272	3	4	1,097	108	1,103	168
1968	168	1,175	2	1,345	33	8	1,187	141	1,194	117
1969	117	1,126	2	1,245	1	26	1,129	166	1,136	89
1970	89	1,143	2	1,234	2	7	1,106	168	1,115	119
1971	119	1,147	2	1,268	93	6	1,072	171	1,171	97
1972	97	1,102	2	1,201	44	10	1,040	159	1,094	107
1973	107	919	56	1,082	4	13	1,008	162	1,025	57
1974	57	962	2	1,021	1	6	965	48	972	49
1975	49	984	2	1,035	1	2	1,021	73	1,024	11
1976	11	979	2	992	1	3	941	9	945	47
1977	47	1,086	2	1,135	2	2	946	86	950	185
1978	185	994	2	1,181	1	4	969	75	974	207
1979	207	985	2	1,194	1	4	1,011	90	1,016	178
1980	178	1,145	2	1,325	1	2	1,017	123	1,020	305
1981	305	1,228	3	1,536	130	2	974	108	1,107	429
1982	429	1,257	3	1,689	210	2	1,011	115	1,222	467
1983	467	1,299	3	1,769	119	1	1,150	258	1,270	499
1984	499	1,103	3	1,605	131	2	1,162	248	1,295	310
1985	310	1,248	4	1,562	180	1	1,164	243	1,345	217
1986 5/	217	1,202	4	1,423	55	2	1,114	201	1,171	252
1987 5/	252	1,104	5	1,361	85	1	1,128	225	1,214	147

1/ Includes butter-equivalent of butteroil. 2/ To U.S. territories. 3/ Domestic disappearance from Government sources. May not match CCC commitments. 4/ May not balance exactly because of rounding. 5/ Preliminary.

The Great U.S. Intellectual Wasteland

Visiting with our old friend, Vince Rossister, Bank of Hartington, Hartington, Nebraska, usually means handling some statistics. Having taken leave of his senses, the *Acres U.S.A.* editor agreed to appear on the *Morton Downey Show*, hence a call to Vince to see if he had an updated computation on the subsidy agriculture was giving to the American population. There was a chance this point could be made because another show guest promised to blow the whistle on all the subsidies farmers were getting.

The great moment arrived, with the Kansas City Music Hall full of certifiable crazies. Sure enough, the loudmouth (Downey's term, not ours) held forth on how much farmers were getting for not farming. *The Acres U.S.A.* response went something like this: "Over 40 years, Congress and the institutional arrangements of trade have so arranged things that the farmer has actually subsidized the consumers. For 91% more production to feed 100 million more people, the farmer has been forced to consume his capital and go broke so that in these years we've lost four million farmers, and put most of those remaining in jeopardy. What we've done is hit the farmer in the belly with a roundhouse punch, then cracked him over the head with a lead pipe, taken his wallet out of his pocket, removed the money, then dropped a dollar on the floor and called it a subsidy." All this, or words to the same effect!

This was a bit too much, and Downey declared to the audience that he was bored.

Maybe these data mean more in print than when spoken. In 1947, farm income was 7.7% of the national income, or maintained that same 7.7% of the national income, in 1986, the farm income would have been $264.6 billion. The so-called subsidies for that year were $23 billion. This means that agriculture for its 91% more production to feed 100 million more people was actually shorted $228.4 billion—and this is the record not only for 1946, but for every year since 1947, give or take a few bucks. In other words, the subsidy given by farmers to the American people has been and continues to be approximately $228+billion per year.

In other words, farm income increased from $15.2 billion in 1947 to $36.4 billion in 1986 or 139.5%. During this same period of time, wages for all the workers increased from $128.9 billion in 1947 to $2,683.4 billion in 1986, or 1,981.8%. Interest increased from $1.9 billion in 1947 to $331.9 billion in 1986, or 17,368.4%.

Those who scream rather than think translate all the above into being a subsidy for American agriculture. The fact is, agriculture has been shortchanged some $2.3 trillion since 1952. Some subsidy. Moreover, agriculture's $1 trillion of assets in 1980 has been trimmed to $300 billion by those friendly servants in the Fed, working under the tutelage of the great Paul Volcker.

There are a few more data of interest here. Since 1952, when the decision was made to put farming into a few strong hands, and to drive millions from the land, the farm share of the national income has been 4.3% less each year. During recent years agriculture has actually received less than 1% of the national income for feeding near 250 million people.

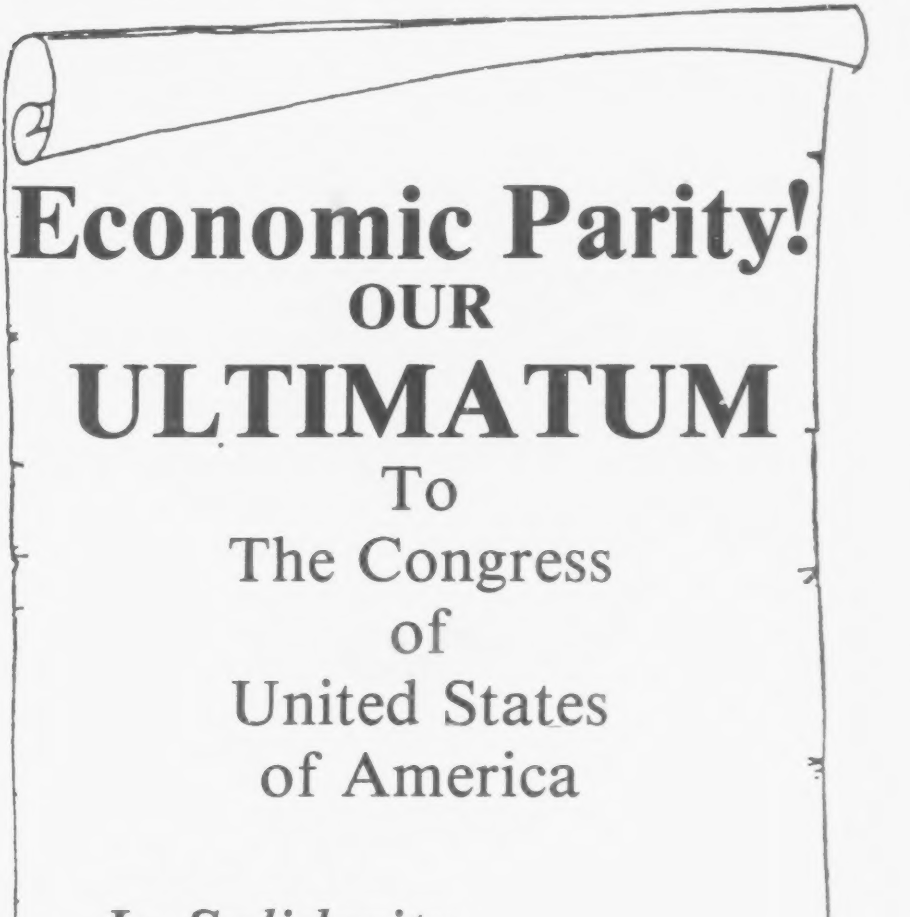
In the meantime, super-sophisticated businessmen in USDA have ordered 1.5 million metric tons of wheat shipped to the U.S.S.R., each bushel costing the American taxpayer a 56 cent per bushel subsidy. While this is going on, the population is supposed to come unglued about the prospects of communism threatening the free societies of the world, thus the need for routine and heavy subsidies to the military-industrial complex.

How do you explain to a talk show host the mandate of the Constitution, Article I, Section 8, Subsection 5, that Congress coin the money and regulate the value thereof? Anyone in economics who has passed the age reason knows that money's value cannot be regulated without parity prices for basic raw materials, and refusal to do this is simply a rejection of a government obligation.

We have and will continue to discuss symptoms of the general malaise in rural America, but probably not on screaming talk shows. We will continue to point to symptoms—absentee ownership, insurance companies in command of millions of acres, foreign carpetbaggers buying rural assets, corporations striving to become the few strong hands in command of agriculture. Surely there are a few good people in the U.S. who can handle the abstractions, the logic involved. Perhaps one day some of them will take on roles of leadership in the Congress and the Executive branch, both of which seem now to be a great intellectual wasteland.

That wasteland is waiting for an answer.

Resolute and Peaceful Transformation of Global Economic Structures



Economic Parity!

OUR ULTIMATUM

To
The Congress
of
United States
of America

In Solidarity,

We the People

The Ultimatum Heard 'Round the World'

`(The complete report is held in the committee files.)`

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

HEARING ON ISSUES RELATED TO THE FORMULATION OF THE 1990 FARM BILL

SUBMISSION ON BEHALF OF THE CALIFORNIA CLING PEACH ADVISORY BOARD

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Date Submitted: November 16, 1989

BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE

HEARING ON ISSUES RELATED TO THE FORMULATION OF THE 1990 FARM BILL

SUBMISSION ON BEHALF OF THE CALIFORNIA CLING PEACH ADVISORY BOARD

The following comments are submitted on behalf of the California Cling Peach Advisory Board ("the Board") in response to the House Committee on Agriculture's October 19, 1989, request for private sector comments on the effectiveness of Federal agricultural development programs enacted pursuant to the 1985 Food Security Act and the reauthorization of these programs in the 1990 Farm Bill.

The Board is organized under the California Marketing Act of 1937 and operates under the authority of the California State Director of Food and Agriculture. The Board represents all 750 producers and nine processors of cling peaches in the State of California. Much of the Board's work is targeted towards promoting the sale of California cling peach products, both at home and abroad.

The Board's interest is in securing the continuation of the Targeted Export Assistance Program (TEA) considered by many to be the "shining star" of the 1985 Food Security Act. Having participated in the TEA program since its inception in 1985, the Board has enjoyed increased sales in all major markets where promotional activities were undertaken. The Board supports the reauthorization of TEA as an effective means of increasing the United States' agricultural competitiveness in the world marketplace.

I. The Targeted Export Assistance Program

TEA was one of the innovative tools developed in the 1985 Farm Bill to overcome American agriculture's declining competitiveness overseas. It was particularly intended to provide economic assistance to industries that had been injured by GATT-illegal trading practices, but had been unable to secure meaningful relief through the dispute resolution procedures of the General Agreement on Tariffs and Trade ("GATT"). Section 1124 of the Farm Bill accordingly required that priority TEA assistance be provided to Section 301 commodities.

Ours was one of the principal industries intended to be covered by TEA on a priority basis. For nearly a decade, the California cling peach industry has sought relief from the EEC's illegal processing aids on canned fruit. Faced in 1981 with imminent loss of the EEC market, our industry filed a Section 301 petition against the EEC's subsidy practices. The matter was taken by the United States to the GATT. Some two and one-half years later, in 1984, a GATT panel ruled in favor of the United States. Despite this favorable GATT ruling and a negotiated agreement in 1985 under which the EEC was to eliminate its processing aids by the 1987/88 marketing year, the Community continued to subsidize its industry throughout 1988 and into 1989. Finally, under threat of retaliation, a settlement was reached this past June, which will hopefully put an end to future subsidization.

In formulating TEA, Congress recognized that the cling peach industry's 301 success could not reverse the $10 million in annual sales losses attributed to EEC subsidies. It was determined that some form of offsetting assistance was needed to help sustain the U.S. industry.

The relief provided by TEA to the cling peach industry and virtually all other participating commodities has surprised even its supporters. Exports of 21 agricultural commodities promoted under the TEA program showed sales increases in chief target markets averaging more than 48 percent in the first year of the program. Exports of these commodities rose by $1.6 billion in the first two years of program operations. Each year since then, exports have continued to show impressive gains in key target markets. This has been achieved with relatively low funding authorization of $110 million for FY 1986-88 and $200 million for FY 1989-90.

Unlike most other federal assistance programs, TEA requires no direct appropriations from Congress. Commodity credit certificates are used to pay eligible recipients, who in turn sell the certificates to pay for market promotion abroad. The funding is assisted by the program participants themselves, who are required to match FAS funds at certain percentage levels.

The vast majority of U.S. agriculture, and virtually all fifty states, are now participating in the program. By authorizing both branded and generic export promotion, TEA has been useful to a wide sector of U.S. agriculture from bulk commodities to specialty crops. The list of commodity participants for FY 1990 includes cotton, rice, feed grains, meat, mink, citrus, almonds, peaches and raisins, as well as numerous other bulk and high-value products.

II. TEA's Vital Importance To The California Cling Peach Industry

TEA has meant the difference between survival and extinction for the California cling peach industry in a number of export markets. It has provided the cling peach industry with the promotional power needed to reverse the declining sales slump experienced in Japan, Taiwan, and other Pacific Basin countries and has allowed the industry to experiment with new product lines in the frozen sector.

TEA supported in-store promotion, and retail and trade advertisements featuring the versatility of canned and frozen cling peach products have been successful in reaching consumers in Japan, Taiwan, Singapore, Hong Kong and elsewhere. Exports of cling peaches to Japan in 1986 were 176% above the previous year. Fruit cocktail exports finished with a 54% gain. The fiscal year 1987 and 1988 TEA programs have built on these successes. The value of canned fruit exports to off-shore markets in 1988 reached over $40 million, the highest level in 5 years.

Along with promoting its traditional products, TEA monies have been used to promote quick-frozen cling peaches, a new and highly superior frozen product that closely resembles the fresh product in taste and texture. Gains in new and innovative product areas such as this will help our industry to stay ahead of foreign competitors.

TEA has also encouraged cross-sector export cooperation among American agriculture. The widely publicized "Grown in the U.S.A." promotional campaign is an example of this. The campaign was launched in 1987 by the Board, the California Avocado Commission, the California Pistachio Commission, the Florida Department of Citrus, the Wine Institute and the U.S. Meat Export Federation. The program's sales successes in Japan resulted in Japanese retailers insisting that it be continued into the 1988 season.

TEA monies have also allowed the cling peach industry to work with a large Japanese supermarket chain, Daiei, to promote canned cling peaches. During March, 1988, over 300 Daiei supermarkets featured California cling peaches as a lead item. Sales during this period were the highest ever jumping 170% the first year and over 27% in 1988.

This past year, the industry continued its supermarket promotional campaign in the Tokyu stores, a large chain in Tokyo. Ongoing TEA funded merchandising programs in Tokyu stores upped the average sale of cling peach products 126 percent between the 1987/88 and 1988/89 seasons.

III. TEA Is Needed To Sustain The U.S. Cling Peach Industry's Export Position

Pending global agricultural reform, TEA has demonstrated itself to be a necessary tool for relieving and strengthening the United States' export position until a level playing field is achieved. By providing assistance through non-distortive promotional programs, TEA is considered a non-disruptive or "green light" internal support program legal under GATT disciplines.

Faced with increasing competition from subsidized foreign suppliers, restrictive access barriers, and injury from a decade-long dispute with the EEC, the cling peach industry needs the assistance of TEA to help maintain its position in the global marketplace.

The industry's leading competitor of canned peaches and fruit cocktail today is Greece. Its lead status is almost solely due to government assistance. Subsidized low-priced Greek peaches and fruit cocktail have displaced U.S. sales in Canada, Japan and the U.S. domestic market to a tune of over $10 million a year. Although the EEC has now agreed to eliminate its illegal subsidy scheme for canned fruit, the U.S. industry has lost valuable market share to Greek exporters in Canada, Japan and the U.S. market that may never be regained. Still benefitting from the effects of the GATT-illegal aid and profiting from an EEC withdrawal and loan program, Greek peaches are beating out U.S. prices in the U.S. market by nearly $3.00 a case.

Importing nations further restrain U.S. cling peach exports through tariff and nontariff barriers. Korea bans the importation of canned and frozen cling peaches for general consumption, allowing only minimal imports through its hotel and tourist trade. Japan prohibits the use of sodium benzoate as a preservative on the cherries in canned fruit and assesses relatively high tariffs on all cling peach items. Saudi Arabia's restrictive shelf-life requirements makes it logistically infeasible to ship product to that market.

Until global reform is achieved, continued availability of TEA funds are needed to help off-set these illegal and unfair trade barriers.

IV. Conclusion

TEA has proven to be an effective means of enhancing agricultural exports through a creative and non-trade distortive means. Until all trade-distortive practices are eliminated, TEA is needed to help U.S. industries remain competitive in the global marketplace.

The California Cling Peach Advisory Board requests this Committee's support in achieving permanent reauthorization of the Targeted Export Assistance program.

Respectfully submitted,

Thomas P. Krugman

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STATEMENT
OF
WESTERN COTTON SHIPPERS ASSOCIATION
ON
RECOMMENDED CHANGES IN
THE COTTON SECTION OF THE 1990 FARM BILL
PRESENTED TO
COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
FRESNO, CALIFORNIA
NOVEMBER 4, 1989

Mr. Chairman, I am Thomas P. Ullmann of Fresno, California. I appear today in my capacity as Vice President of the Western Cotton Shippers Association and as Chairman of WCSA's Committee on National Affairs.

The California cotton industry welcomes the opportunity to participate in this review of Title V, The Cotton Section, of the Food Security Act of 1985 in preparation for the 1990 Farm Bill.

Let me begin by emphasizing that the 1985 Act has achieved the goal of assisting the production sector by providing increases in farm income through price protection from the level of the Target Price down to the level of the Adjusted World Price. These benefits have restored the economic health of the cotton producers, though at significant costs through program motivated production increases, lack of producer incentives to sell, lost markets in 1988, and near record carryovers and budget outlays. The Act has not accomplished the other important goal of making U.S. cotton available at competitive prices at all times to U.S. textile mills.

The program has basic flaws and we must address them legislatively in the 1990 Farm Bill.

Changes Necessary in 1990 Act

The 1990 Farm Bill should amend the 1985 Act adhering to the following principles:

1. Program costs must be reduced.

2. Production should be determined by supply and demand forces. The relationship between the target price, price support loan rate, and the cost of production should not encourage overproduction.

3. Neither the level of the price support loan or its duration should interfere with the orderly marketing of cotton.

4. U.S. cotton must be competitive in the world market.

We attach, for the record, comprehensive policy recommendations recently adopted by the American Cotton Shippers Association. These recommendations were thoroughly reviewed and accepted by WCSA and the four other regional cotton trade associations affiliated with ACSA.

Marketing Loan Flawed by 18 Month Loan

I would like to utilize my time today to specifically address the marketing loan, a concept that allows the buyer to redeem at the Adjusted World Price when the AWP is below the loan rate. The producer, having the guarantee of the loan and the target price is protected when the cotton is sold to U.S. and foreign mills at the AWP. In practice the producer receives a substantial portion of the difference between the loan and the AWP. The result is that, at times, U.S. cotton has been uncompetitive and foreign textile mills have purchased other more competitive growths. Unfortunately, U.S. textile mills have no alternative. If they need cotton, they are forced to pay the higher U.S. price. Heavily influencing this process is the 18 month loan which allows the producer to withhold his cotton from the market in hope of a higher price. This provision of the law has caused cotton to remain off the market and build up record carryover levels at significant costs to the government. In March of this year, loan entries rose to the highest level in history, with approximately 11 million bales, 70 percent, of the 15.4 million bale 1988/89 crop in the loan.

We urge the Congress to amend the 1985 Act so that the loan cannot be extended past the original 10-month term. The original intent of the loan was to facilitate the orderly marketing of the cotton crop into trade channels during the course of a marketing year. The practice of extending the loan by an additional 8 months contributes to the build-up of carryover stocks and is diametrically opposed to the marketing loan concept mandated by the 1985 Act. This major flaw makes it difficult to successfully administer the program.

As you know, a combination of record crops and non-competitive prices required the Department to make significant changes in the program in 1988 and again in 1989. Fortunately, crop failures in Russia and China and increased demand in the U.S. and Western Europe have substantially reduced our carryover and anticipated program costs in recent months. Hopefully, the program changes allowing for an additional adjustment in the AWP will not have to be tested in the immediate future. We do know, however, that the cotton situation can change quickly as a result of increased world production, decreased demand, or a combination of both. This scenario will occur again, and so long as we maintain an 18-month loan, we risk undermining the marketing loan concept and the possibility of incurring increased program costs such as those experienced in Fiscal Year 1989 of $1.7 billion.

Mr. Chairman, we thank you for visiting Fresno and taking the time to hear the diversified views of the California cotton industry. We will endeavor to respond to any questions that you or other members of the committee might have.

***

Legislative Policies
American Cotton Shippers Association
1989-1990

In considering amendments to the 1985 Act we should adhere to the following principles:

1. Program cost must be reduced.
2. Production should be determined by supply and demand forces. The relationship between the target price, price support loan rate and the cost of production should not encourage overproduction.
3. Neither the level of the price support loan or its duration should interfere with the orderly marketing of cotton.
4. U.S. cotton must be competitive in the world market.

More specifically, we recommend:

Price Support Loan Rates - The Commodity Credit Corporation loan rate for Upland Cotton is currently determined by the lower of 85% of the world or U.S. price. To accurately reflect actual world prices the loan rate should be reduced to 75% with authority for additional reductions up to 20% to keep U.S. cotton competitive in domestic and world markets, but in no event should the loan rate exceed a maximum of 40 cents per pound.

Marketing Loan - We support the continuation of the marketing loan and to insure that it effectively keeps U.S. cotton competitive in domestic and world markets the current USDA policy be maintained where charges for accrued interest and storage are not charged if the Adjusted World Price is below the loan rate, and when the Adjusted World Price is above the loan that storage and interest not be charged until the Adjusted World Price exceeds the level of the price support loan plus the accrued storage and interest.

When the AWP exceeds the loan level, carrying charges payable at redemption be determined by quality, including the coarse count adjustment when applicable.

Loan Period -For the 1990 crop and beyond all loans shall be on a 10 month, recourse basis with interest and storage prepaid, with no extensions beyond the 10 month loan period.

Loan Premiums and Discounts - We urge the Department to continue with the current method of a 1:1 ratio in calculating loan premiums and discounts. We urge the Department to exercise caution in using the volume of actual bales traded quotations to determine loan premium and discounts by a weighted seasonal average. In this regard the key principle should be that in no case should a lower grade have a higher value that a higher grade within the loan schedule.

Location Differentials - We recommend that USDA discontinue the establishment of base loan rates by warehouse location and that USDA consider changing the terms of the loan from FOB compress to FOB loaded cars or trucks.

Target Price - To assure adequate supplies of cotton and to protect producer income, the target price as the primary means of income protection should be established at a level equal to the cost of production as determined by USDA.

Acreage Reduction Program/Paid Land Diversion - We advise against the implementation of acreage reduction or paid land diversion programs as they preclude producers from making maximum utilization of their land, equipment and capital resources, they reduce the available supplies of adequate qualities to U.S. textile mills, and send a signal to foreign producers and consuming mills that the U.S. is unilaterally reducing supplies and that we are content to be a passive residual supplier rather than an aggressive, growth oriented exporter.

Annual Program Announcement - Program decisions for the following year should not be announced before USDA's January Supply/Demand Report. This extra time would allow the Department access to better knowledge on the U.S. crop and world conditions before making program decisions. Consideration should be accorded to early production areas where a January announcement may adversely affect farm management decisions.

Marketing Incentives - Reasonable incentives to encourage cotton directly to market, not through the loan, must be included in farm legislation. Such incentives would allow for the use of actual yields instead of program yields to determine the amount of cotton eligible for loan deficiency payments. Producers who opt to forgo the loan and accept the Producer Option Payment will be paid the equivalent of two months free storage per bale as loan users currently do not have to pay the first two months of storage.

POP Payments - Recommend that the Producer Option Payment (POP) be based on actual yields rather than payment yield.

CCC Resale Price - CCC owned cotton shall be catalogued as soon as forfeited and sold every other week pursuant to sealed competitive bids with a reclass and reweight at the option of the buyer. The minimum acceptable bid shall be 105% of the loan rate or the AWP, which ever is lower.

MANAGING PRICE VOLATILITY

A PRODUCER'S PERSPECTIVE

by
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For delivery at
The 48th Plenary Meeting International Cotton Advisory Committee,
October 1-6, 1989, Phoenix, Arizona, U.S.A.

Cotton has been grown in Australia since the first European settlement. The First Fleet arrived in Sydney in 1788 and cottonseeds were planted in first settlement gardens. Not succeeding with cotton in Sydney, each new settlement to the north tried again. Cotton finally had some success in certain areas of Queensland, especially during the period of the American Civil War.

The modern cotton industry as we know it today started after the completion of the Keepit Dam on the Namoi River in New South Wales. Two American cotton farmers, encouraged by the bounty paid by the Commonwealth, planted the first commercial cotton crop in 1961. Shortly thereafter the Namoi Cotton Co-Operative built a gin. Auscott established the first large scale farm and built the first privately owned gin. Queensland Cotton (a State marketing authority) had been functioning since the 20s. These three were the only processors and marketers of Australian cotton until 1983, (Figure 1).

Cotton farms sprang up along the Namoi River followed by development along the Macquarie, Gwydir and Border Rivers and the Barwon/Darling river system, all in New South Wales. Qeensland also had further expansion, although not on the same scale experienced in New South Wales. The Government ceased paying the bounty to cotton growers in 1971.

During the decade of the 80s, national production has increased threefold and some further growth can be expected from the development of better cotton varieties, improved farming practices and expansion of rain grown areas. Over 90% of national production is exported.

The price trend of cotton, as measured by the Cotlook "A" index (Figure 2) declined moderately in the 1950s and 1960s. The trend was sharply up for the 70s but has since trended down. After some price volatility in the early 50s, resulting from the Korean conflict, prices in general followed closely the five year trend line until

BEST AVAILABLE COPY

1971. This stability probably resulted from the United States supply management programs. The early 70s saw cotton prices, and the prices for most commodities, rise sharply (as expressed in U.S. dollars) and become more volatile (Figure 3). Deviations of 15% or more from the five year average become commonplace.

Getting closer to the reality of price volatility facing the producer (Figure 4) monthly deviations from the annual average exceeding 15% are not unusual.

When the first exports of cotton from Australia occurred in 1968 it became clear that export prices would follow the Cotlook "A" index (Figure 5) in somewhat the same manner as had been used for several years for domestic pricing. However, the Cotlook "A" index is not a traded market so it did not provide a pricing mechanism for the Australian cotton grower.

New York Cotton Futures (Figure 6) is a traded market and provides a pricing mechanism for the U.S. cotton producer - how would it work for the Australian grower?

We can see (Figure 7) that for the most part the Cotlook "A" index and the nearby New York Cotton Futures track satisfactorily, the Index being the higher of the two to reflect its delivered cost. The major exception was 1985/86 when the U.S. farm program changed dramatically on August 1, 1986. During the lead up to that date we saw severe price competition among non U.S. producers to sell their cotton before the effective date of the new program, in conjunction with the withholding of U.S. stocks from the market, made possible by the favorable provisions of the old program. In summary the Australian cotton grower is quite satisfied that New York Cotton Futures are a reasonable base for his pricing decisions.

The Australian cotton grower pays his production expenses in Australian dollars and for the most part, prices his cotton production in U.S. dollars. (Figure 8) He therefore must convert U.S. dollars to Australian dollars to complete his sales task. There are active currency exchange markets operating worldwide that transact the exchange of U.S. dollars for Australian dollars.

Cotton prices in the 80s, as expressed in Australian dollars (Figure 9) have been more volatile than those expressed in U.S. dollars. Total CIF costs to the Australian cotton grower in the early 80s were approximately 70 Australian cents per pound and today are approximately one Australian dollar per pound. Several times during the 80s cotton prices have been below the cost of production, yet the Australian cotton grower, as we saw earlier, dramatically expanded his production and for the most part, has remained financially viable. He has accomplished this in large part by managing price volatility.

The Australian cotton grower looks at the disposal of his production as a two step process. He must sell the actual lint cotton produced and he must price the cotton he sells. Sometimes these are simultaneous events. Sometimes these events are separated by several months.

Common methods used by the Australian cotton grower to sell his lint production are: (Figure 10)

1. Commit his production to a processor's pool before the crop is planted. He can elect to take the price achieved by the processor (simultaneous sale and pricing) or use the price hedging programs offered by each processor. These price hedging programs are usually based on New York Futures and include currency exchange hedging. Committing to the processor's pool is the most popular method used by the Australian Cotton Grower.

2. He can sell to Processors or to the many cotton merchants active in Australia at a fixed price, either U.S. dollars or Australian dollars (simultaneous sale and pricing). These sales can be in advance of planting the crop, during the growing season or after ginning. Many growers would sell using a combination of the three periods.

3. Some processors and merchants provide sellers with call contracts which allow the grower to sell his cotton today and hedge the price, usually based on New York Futures and a quoted currency exchange rate, at some later date.

4. Some processors and merchants offer guaranteed minimum price contracts which allow the grower to participate in market increases over a stipulated base price, should that occur. It is quite likely that the guaranteed minimum price is lower than the quoted market on the day.

Most fixed price contracts, sellers call contracts and guaranteed minimum price contracts will be priced on a base grade and premiums/discounts for deviations from the base grade will be stipulated in advance.

Few growers enter contracts for a specific grade to be delivered as the financial risk of being unable to deliver is too great.

Common methods used by the Australian Cotton Grower to set the price of his lint production are: (Figure 11)

1. He can enter into a fixed price contract as previously described.

2. He can sell New York Cotton Futures for his own account to be bought back when he actually sells his cotton on a fixed price contract. More common is to instruct his processor (if pooled cotton) or any buyer, under terms of the sellers call contract, to sell New York Futures which becomes the base from which his price is finally determined.

3. New York Option Strategies are becoming more popular with growers. Most popular is the buying of a put which is in effect a guaranteed minimum price measured by the strike price of the put less the cost of the put contract. Next in popularity would be to sell futures contracts and buy call contracts for some or

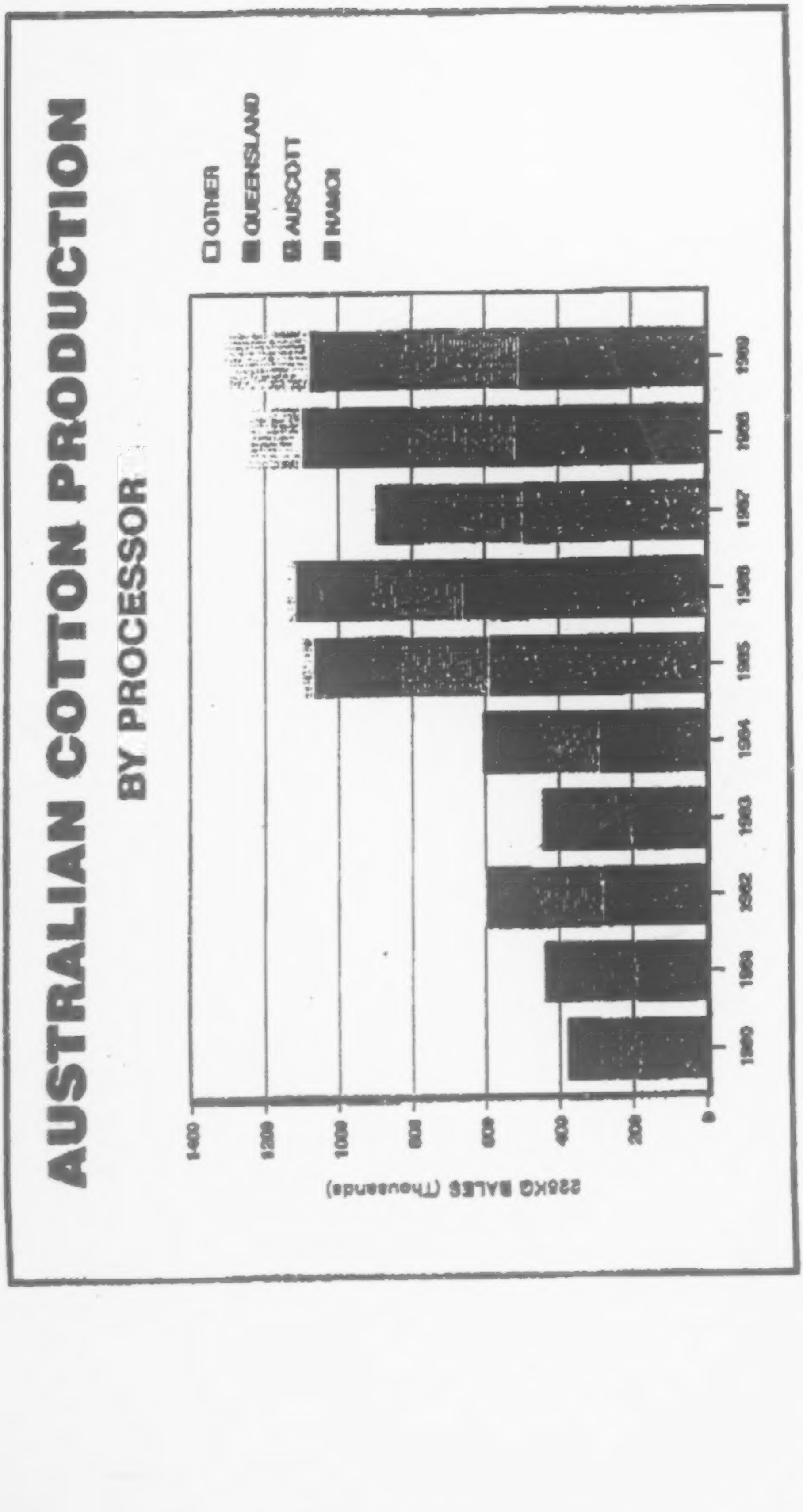
all the cotton represented by the futures contracts sold. This strategy also sets a minimum price yet may allow participation in any market increases. Somewhat popular after a sustained rise in the market is the simultaneous buying of a put and selling of a call which establishes both the minimum price and the maximum price the grower will receive. Proceeds from the sale of the call usually offsets the cost of the put so the price protection afforded by this strategy has little cost.

Australian Cotton Growers by nature are optimists. Therefore the most popular price fixing strategies are those which include an element for realization of future price increase if it should occur. Simply fixing the price as the season progresses, or waiting until the cotton is harvested and ginned, are other strategies encompassing that optimism.

I would like to thank the I.C.A.C. Secretariat for inviting the Australian Cotton Industry to present this paper. It is our hope that many other cotton producing countries will find our methods of coping with price volatility useful in the effort to achieve long-term financial success.

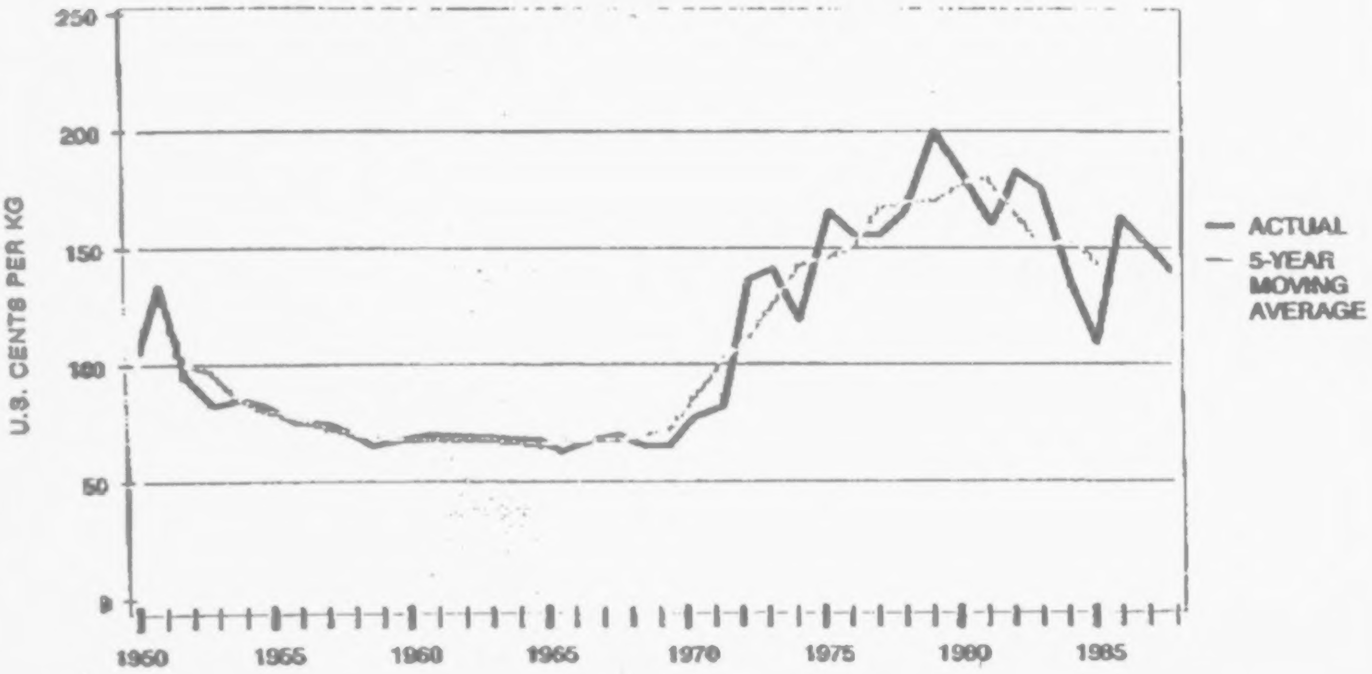
References:

1. Australian Raw Cotton Marketing Advisory Committee
2. International Cotton Advisory Committee
3. Cotton Outlook
4. Merrill Lynch - Sydney, Los Angeles, New York
5. Prudential-Bache - New Orleans


AUSTRALIAN COTTON PRODUCTION
BY PROCESSOR
☐ OTHER
■ QUEENSLAND
▨ AUSCOTT
■ NAMOI
226KG BALES (Thousands)
1400
1200
1000
800
600
400
200
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

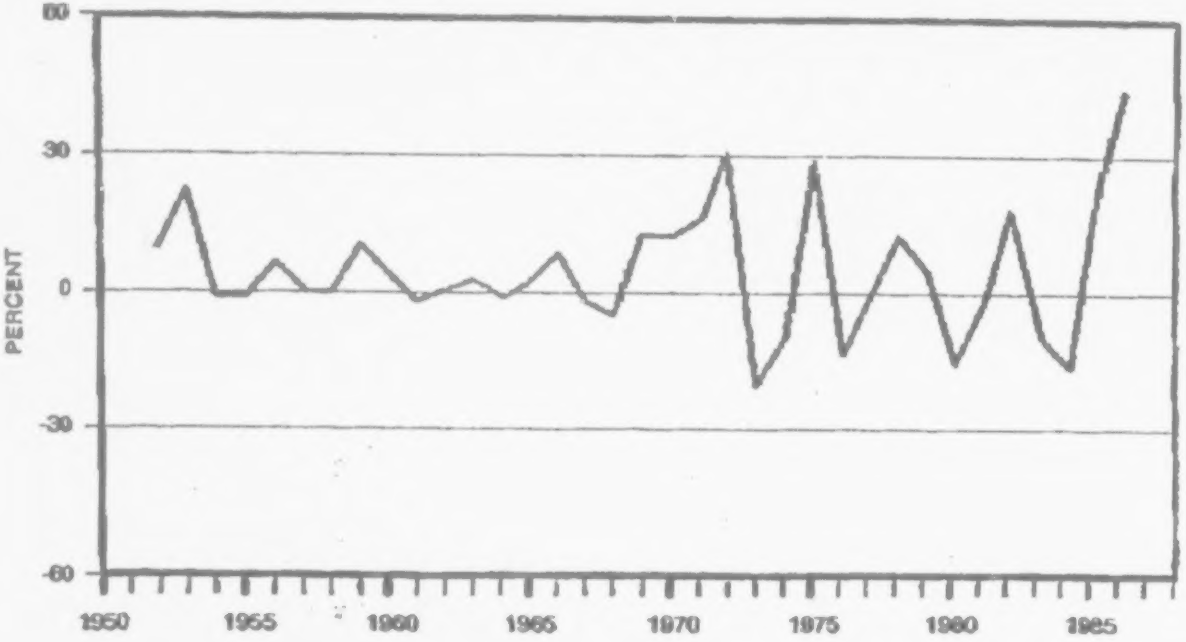
COTTON PRICE TREND

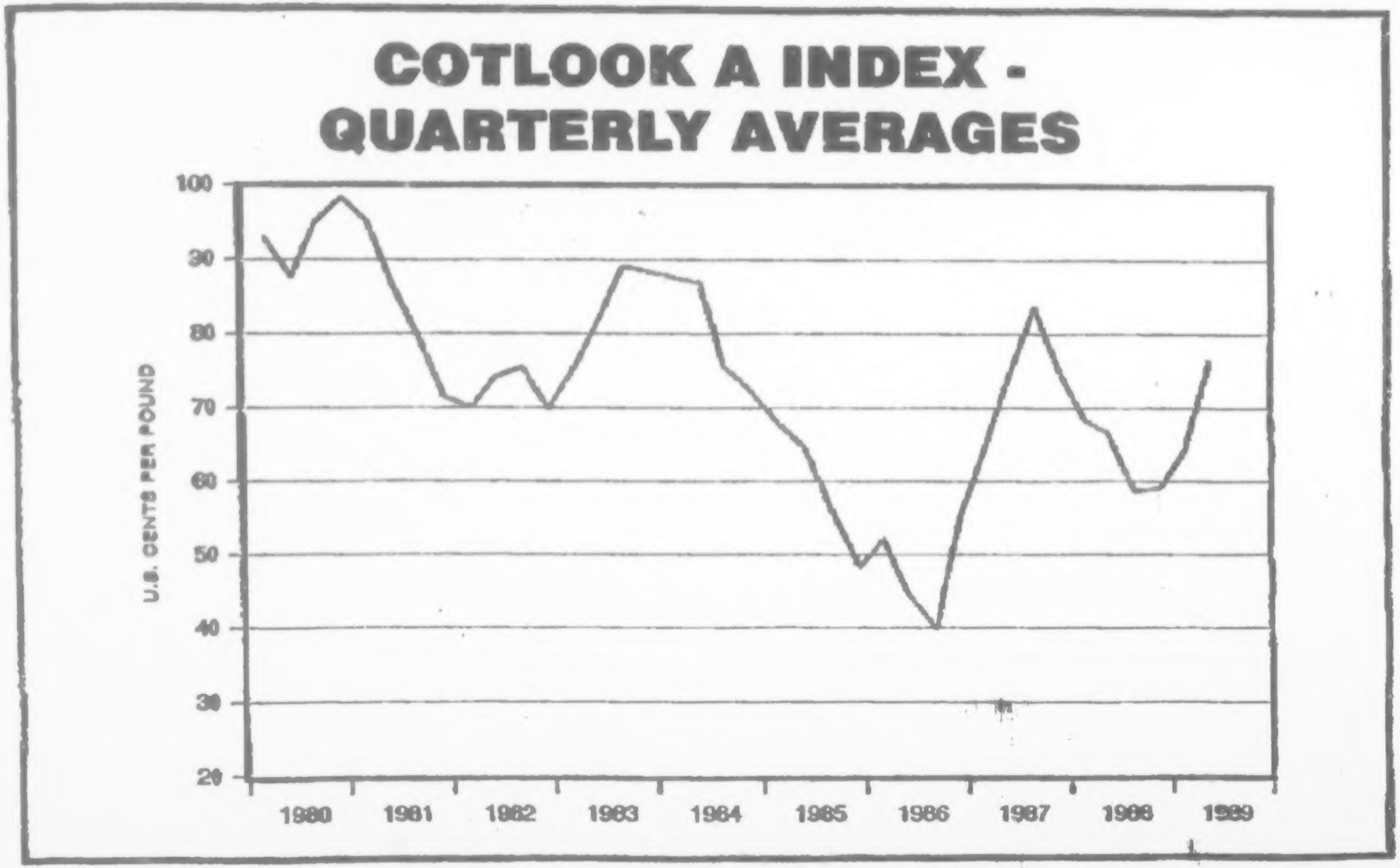
COTLOOK A INDEX, C.I.F. NORTH EUROPE



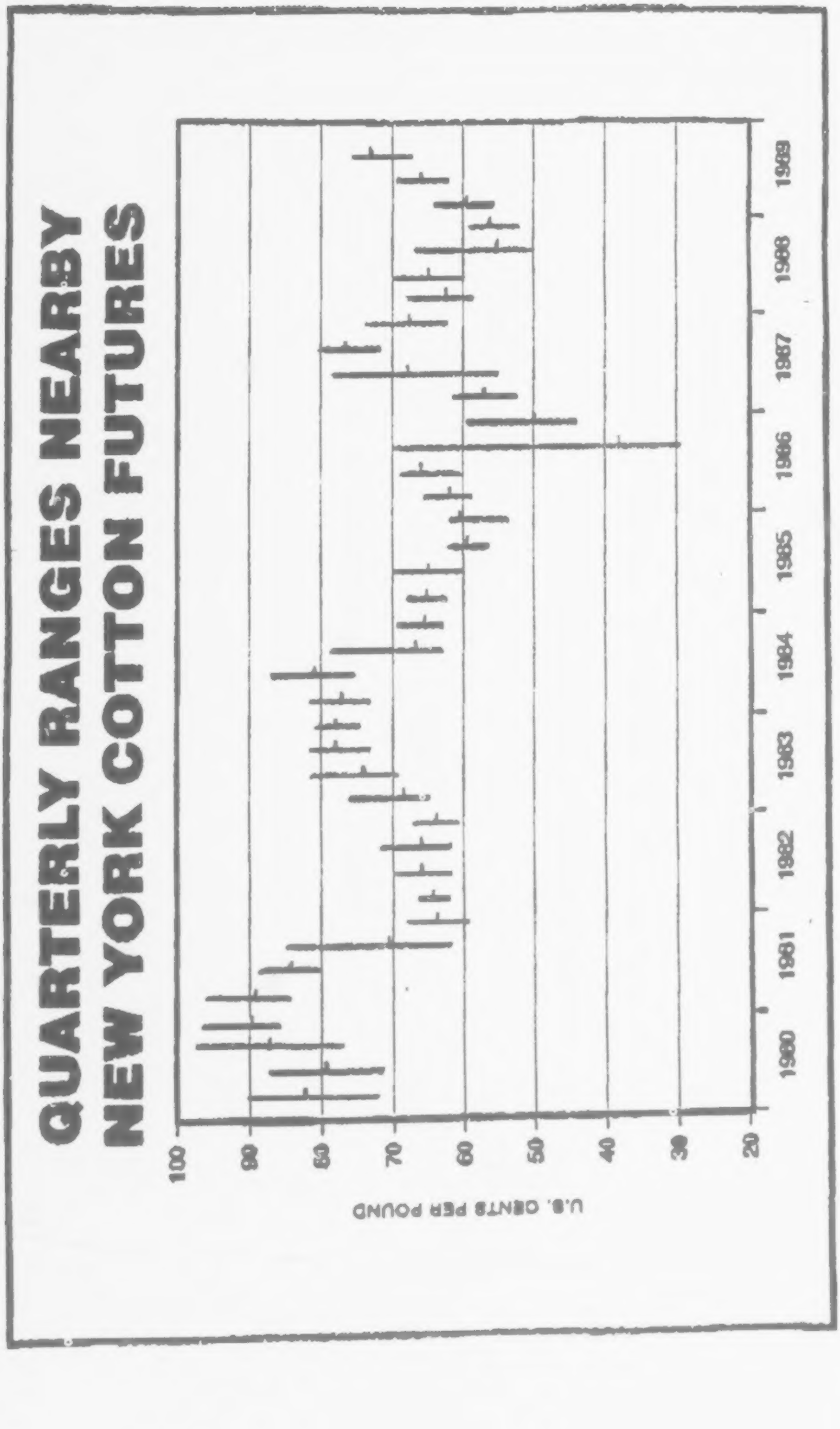
COTTON PRICE MOVEMENTS

DEVIATIONS FROM 5-YEAR MOVING AVERAGE



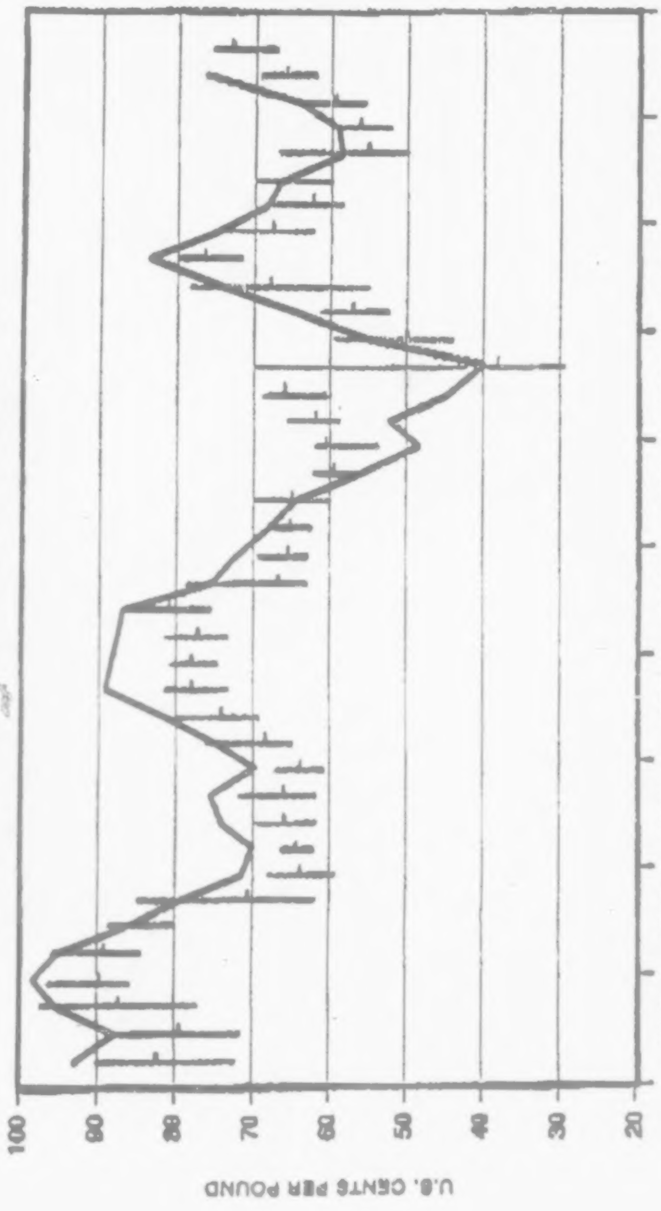


COTLOOK A INDEX - QUARTERLY AVERAGES

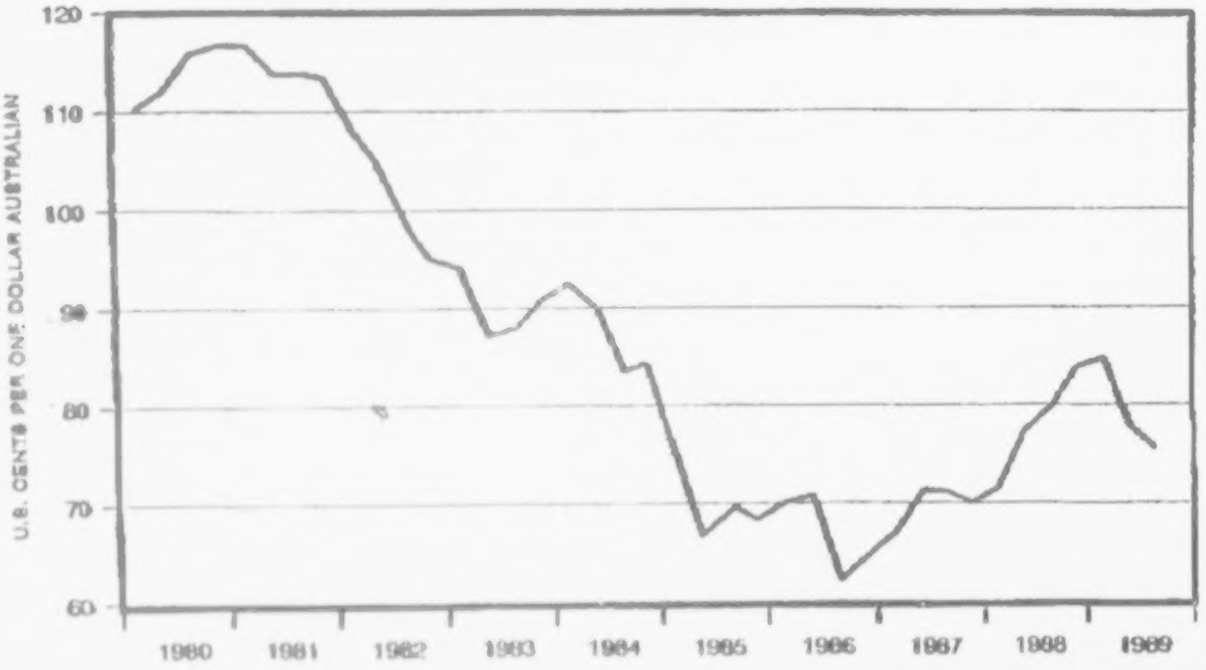


QUARTERLY RANGES NEARBY NEW YORK COTTON FUTURES

NEARBY NY COTTON FUTURES VS COTLOOK A INDEX



AUSTRALIAN DOLLAR EXCHANGE RATE



AUSTRALIAN COTTON PRODUCERS

Common methods to fix the price of lint cotton:

1) fixed price contract
2) sell New York cotton futures
3) New York Option strategies -
    a. buy a put
    b. sell futures and buy a call
    c. buy a put and sell a call

Says Duke Kimbrell About The 18-Month Marketing Loan:

'That's Bad'

In the July COTTON GROWER, Kevin McDermott explained why Calcot supports the eight-month marketing loan extension. Here, Duke Kimbrell tells why mills oppose it.

By W. DUKE KIMBRELL
Chairman, ATMI Cotton Committee

In the July COTTON GROWER, Kevin McDermott, vice president for economic research for Calcot, wrote that maintaining the 10-month loan with an optional eight-month extension "should be the No. 1 item to preserve in new farm legislation."

From the viewpoint of U.S. textile mills, that's wrong. Continuing the eight-month extension to the loan would encourage producers to store cotton, effectively keeping it out of the marketplace. That's bad.

Under the present cotton program structure, producers are under absolutely no pressure to take cotton out of the loan and put it into the market. The 18-month loan carries cotton from one crop year well past harvest of the next crop, at no cost to the producer.

Fair Price?

The same article, says, "We do not understand what is wrong with producers seeking a fair price." Certainly we in the textile business agree, except that they have a year and a half in which to decide what is a fair price. Meanwhile, textile mills have little choice but to await the farmers' decision, since our mills are prohibited from buying raw cotton elsewhere.

The U.S. textile industry, along with many of its suppliers, has embarked upon a program called Quick Response. It is designed to shorten delivery times to retailers through the electronic interchange of data.

Quick Response reduces inventories by providing retailers with the textile products in the shades and patterns and colors they want when they want them, often within days or even hours.

Contrast that approach to better competitiveness through customer service with McDermott's idea that longer is better irrespective of whether the 18-month loan serves the best interests of the raw cotton industry's textile customers.

Who Pays?

For more than a year, the U.S. textile industry paid the price for a cotton program that didn't work, when U.S. prices for cotton soared above those for cotton grown elsewhere. That began very early in 1988. It continued into 1989.

Has the problem been fixed? No. Will it be remedied? No one can say for sure. Can mills go elsewhere to buy cotton, if the problem resurfaces? Not yet, but we may have no option but to change that situation.

Mr. McDermott says that the 18-month loan has worked to help accomplish the goals established by the 1985 farm bill. One is to support grower income and the other is keeping U.S. cotton competitive in world markets.

No doubt, producer income has been protected, at the expense of the taxpayer and the domestic textile industry, with the 18-month loan.

Has U.S. cotton been price competitive? The U.S. textile industry says "no." •

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FORMULATION OF THE 1990 FARM BILL

MONDAY, NOVEMBER 13, 1989

House of Representatives,
Committee on Agriculture,
Wingate, NC.

The committee met, pursuant to call at 9 a.m., in the Laverne Banquet Hall, Wingate College, Wingate, NC, Hon. Dan Glickman (acting chairman of the committee) presiding.

Present: Representatives Stenholm and Walsh.

Also present: Representative Hefner.

Staff present: Greg Frazier and Joe Dugan.

Mr. **Glickman** [acting chairman]. Good morning. I have a prepared statement for the record, then I will introduce the members seated with me.

[The statement of Mr. Glickman follows:]

STATEMENT BY THE
HONORABLE DAN GLICKMAN, (D-KS) CHAIRMAN
WHEAT, SOYBEANS, AND FEED GRAINS SUBCOMMITTEE

AT A PUBLIC FIELD HEARING IN WINGATE, NORTH CAROLINA
OF THE HOUSE AGRICULTURE COMMITTEE

TO REVIEW ISSUES
RELATING TO THE 1990 FARM BILL

MONDAY, NOVEMBER 13, 1989
9:00 A.M.

****

Good morning. I am glad to be here today in Bill Hefner's district. Unfortunately, Chairman de la Garza could not make it out here today because of last minute business. I am pleased that the Chairman decided to send the Committee to this part of the country because I think that we should know what North Carolina farmers think of the 1985 farm bill and what they would like to see done with the 1990 farm bill.

Over the past year, I have travelled across the country and back attending as many as eight 1990 farm bill field hearings and about twice as many in Washington. From these hearings I have determined that farmers all over are basically supportive of the 1985 Food Security Act and are in favor of adopting its basic structure for the 1990 farm bill.

However, on another note, farmers, while supporting current policy, have emphasized a need for some fine-tuning. For instance, flexibility is something that farmers want, not only for capturing market price advantages, but for rotating their crops to decrease their chemical inputs. Farmers feel that the time is ripe for scaling back restrictive planting requirements, which only encourage production of program crops to surplus levels and discourage production of other crops that are in more demand and higher valued on the market. Generally speaking, the government should give back to the farmers' their ability to plant for the market without risking their established farm base.

I am looking forward to hearing your views, as North Carolina producers, on how flexibility affects you and how we should or should not incorporate it into the next farm bill.

Other issues relating to the rejuvenated surge of interest in environmental and food safety issues have received a great deal of attention for the 1990 farm bill. All across America, farmers and agribusinessmen are concerned over what we in agriculture would consider radical proposals by the environmentalists to change current production practices which give the U.S. an abundant food supply. We will be working hard on these issues next year and intend to adopt legislation that will not jeopardize the U.S. production in any way. I believe that we can send the message that good farming practices are synonymous to a safe environment and safe food.

Additionally, I'll be looking forward to hearing your comments on target prices and loan rates. Many farmers around the country have expressed to me that target prices and loan rates are too low and are not in pace with production costs. If this is the case, then maybe we should do something to correct it next year. Finally, I will certainly benefit from hearing your views on other issues facing agriculture that you feel are important to address in the next farm bill.

Without further delay, we have three other gentlemen here today, including your own, Bill Hefner, that may wish to say a few words.

Thank you.

Mr. **Glickman**. This is Mr. Charles Stenholm of Texas and Mr. Jim Walsh of New York.

Mr. Stenholm is the chairman of the Livestock, Dairy, and Poultry Subcommittee, and I know that we have some livestock folks as well as dairy people and I think that you will find him to be extremely knowledgeable.

Mr. Walsh from New York State is a freshman member of the committee and particularly useful because most of our members tend to be from the classic agricultural States, and of course New York is a big agricultural State, a big dairy State, and we are delighted to have him here as well.

OPENING STATEMENT OF HON. DAN GLICKMAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Mr. **Glickman**. I would just make a couple of quick opening comments. The 1985 farm bill expires on December 31, 1990. So we have to reauthorize the existing farm legislation before December 31, because it sunsets out of existence. And I do not have to tell you the vast number of agricultural programs that affect both this State as well as the country that will be expiring, all of our basic commodity programs; wheat, corn, cotton, rice, peanuts, tobacco. We have a tremendous number of dairy related programs that are extremely important. We have a variety of livestock programs, tremendous number of credit programs. All of these things affect this district and the country as a whole.

These are all being done at the same time the United States is negotiating a new trade agreement with the Europeans and the rest of the world and there is a lot of tension now between whether our domestic farm policy ought to be governed by what we negotiate overseas or not. We are going to be interested in your comments on that.

So this hearing comes at an extremely appropriate time, this is one of the last hearings we will have before we begin writing the farm bill next year. So you North Carolinians have a real opportunity to give us some good advice about what we ought to do.

Before I begin, I would like to call on my colleagues to make a few opening remarks. I will start with my colleague Charlie Stenholm of Texas.

OPENING STATEMENT OF HON. CHARLES W. STENHOLM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. **Stenholm**. Well, Dan, thank you. It is good to be back in the home district of my colleague, Bill Hefner. It is always good to be here. Dan has summarized the 1990 farm bill schedule of the House Ag Committee according to Chairman de la Garza, who sends his regrets at not being with us today.

I would make one final comment that we are probably going to have an environmental title in the 1990 farm bill. It will be all inclusive. The challenge to those of us on the production side of agriculture is to recognize the challenge and write that title in the Agriculture Committee in such a form that we can hold 218 votes on the floor of the House.

If we try to play defense, we will lose on the House floor and you will see some very, very bad things happen to agriculture as a result of that situation. The good news is that the agricultural community is in fact rallying to that challenge and we look forward to hearing from you here today and working with many of you in each respective organization that you represent.

Again, it is a pleasure to be here. My colleague, Bill Hefner, we thank you for inviting us and having this hearing.

Mr. GLICKMAN. Thank you, Charlie. Jim.

OPENING STATEMENT OF HON. JAMES T. WALSH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. WALSH. Thank you, Mr. Chairman.

I am very pleased also to be here in North Carolina. I am one of the newest members of the committee. I was the newest member, we have had some special elections and now I am no longer the lowest ranking member, but I am pretty close. So I am still on a learning curve.

But I think you are very fortunate to have Congressman Stenholm and Congressman Glickman here today. I spent the morning riding down on the plane reading their comments in the local Washington, DC newspaper; Congressman Glickman on wheat and export grain and Congressman Stenholm on food safety. They are both experts and I think they will have some interesting questions for you on your testimony.

But I am very pleased to be here. I understand they play some basketball down in this State. I am from Syracuse, New York and we play a little up there. Maybe we will see you again later in the spring. But I am very pleased to be here now.

Mr. GLICKMAN. Well if you have an extra basketball, we play basketball in Kansas as well. [Laughter.]

A fellow named Dean Smith used to be from Kansas at one time, so anyway, we are delighted to be here.

Let us go ahead and begin. I might mention the following ground rules: First, everybody pretty much has a written statement. Your entire written statement will appear in the record. So if you want to read them, fine, but you need not feel compelled to read them because every written statement will appear in the record. We also have a court reporter here who is taking everything down, so anything you say will and can be used against you as well. [Laughter.]

I say that so that sometimes it might leave more time for questions if you do not have to read every word on your statement.

Second, we do have to leave here probably no later than about 12:30 p.m. I would think at the earlist, maybe 12 noon, because we have to go back today. There are 19 bills that we may have votes on starting at about 3:30 or 4 p.m., so we have to make about a 2:20 p.m. flight.

So I would ask you to try to keep your remarks down to a maximum of 5 minutes, if you can. That way it will allow us time for questions and let us move through. I may exercise my responsibility periodically to hit the gavel a little bit. I am not trying to be rude or anything, I am just going to try to keep it moving as fast as we can but still get the information in.

Without objection, any prepared statements received from our members will appear in the record.

So saying that, our first witness is a friend of all of us on this committee, been referred to as big Jim Graham. Jim is the dean of the agriculture commissioners in the country. It is a pleasure to have you here. You are one of the true national experts on agriculture, recognized in that capacity all over this country of ours. And so, Jim, we are just very pleased to have you here, and welcome you today.

STATEMENT OF JAMES A. GRAHAM, COMMISSIONER OF AGRICULTURE, STATE OF NORTH CAROLINA

Mr. **Graham**. Thank you very much, Mr. Chairman. Those are good words to hear, particularly from folks—the homefolks love to here that kind of rhetoric, I enjoy it myself. [Laughter.]

I want to commend you. You are getting better all the time. The first time I saw you, I did not know much about you, but now I know a lot about you because you had the good judgment of hiring and employing a fine young lady from this Eighth District, Ms. Angle, on your staff. So you are part of North Carolina.

As far as my friend Mr. Walsh, I have never seen you but twice in my life, the first time—you are improving too, son. [Laughter.]

You tell Congressman de la Garza that I missed him and I had a present for him and I will deliver it to him later.

But let us get on with this business here, distinguished members of the committee. I am glad to welcome you to your Eighth District and also the district of two of my fine senators, Senator Fowler and Senator Condor in this district. We do think highly of Congressman Bill Hefner. This is my home district. Although I live in Raleigh, this Eighth District is my home district here, my farm is here. So you are among homefolks.

I wish this committee hearing was not necessary, but nature has dictated it so.

This Eighth Congressional District of North Carolina suffered nearly $100 million, as Congressman Hefner referred to there, of the $175 million in total agricultural damage done by Hurricane Hugo. Never before, gentlemen, has a storm so powerful struck with such fury and done so much damage in the heartland of North Carolina.

The damage ranged in the millions in most of the Eighth District's 12 counties. Right here where we are right now in Union County alone, it was $63.5 million. Other severely damaged counties were Stanly with $10 million; and my home county of Rowan, $7.26 million; Anson, $6.8 million; and Cabarrus, $4.5 million. Poultry and poultry buildings were hardest hit.

There is a lot of discussion about Charleston and Charlotte. I have sympathy and compassion for them, but people do not really realize the impact done to the rural people of North Carolina and our rural farmland.

We cannot prevent a natural disaster like this, but we must, gentlemen, be ready for it. Farmers need immediate assistance in the form of life's necessities. For dairy—in this whole area there are more dairies domiciled in this part of the country than anywhere in the State—dairy and poultry farms, generators are essential and quickly. You have to have something to salvage these birds and milk cows. A cow has no loyalty. If you ever tried to milk a cow by hand—she will kick you when you try to put those hands on when they are used to those—excuse me—those milking machines.

Another thing—listen to me now—they need low-interest FmHA loans and liberal considerations on existing loans. In other words, they need their credit extended.

Now on the bright side, here in North Carolina we have a $4.6 billion farm income and of that today, tobacco is almost $1 billion of that. The Tobacco Program is working well and needs no change, in my judgment. Of course, the farmer would like an increase from it, but I hope it will be to a minimum.

Congressman Stenholm there, my dear friend, referred to the 1990 farm bill. I feel it should pattern as close as possible to the 1985 bill that you now have. Keep in mind, please, price support rates and target price rates should not be reduced. They are low enough now.

I also recommend that you continue the Conservation Program and it be strengthened and that one base exist for all program commodities.

Erase from your mind—please get it out of your head—the words "free market" because as sure as I am sitting here looking you square in the eye, there is no such thing as a free market in this world today. Do whatever you can to improve our export markets with a reasonable return for our farmers. The way to build North Carolina, the way to build this country, is to let the people make a profit out there and they will build a community which they live in. So agriculture must continue to be our top priority. I know about defense, yes, it is important, but without people—people must eat, enjoy this wonderful food you referred to. And you are going to get you a nice turkey. You are in the No. 1 turkey State in this Nation and that is a heck of a lot better than eating chips for Thanksgiving dinner. Just think about that. [Laughter.]

Thank you very much. As commissioner of agriculture, Congressman Glickman, I do thank you and I am honored to be commissioner of agriculture of this State of North Carolina. I am proud of it, I love it, I love North Carolina, love the people. I love Bill Hefner and I love my job as commissioner of agriculture, and I thank you very much.

[The prepared statement of Mr. Graham appears at the conclusion of the hearing.]

Mr. Glickman. Well Mr. Commissioner, we love you too, we want you to know that, and we thank you for being an advocate for agriculture.

As I said before, farmers, ranchers, and people in rural America need advocates. You are an advocate for them and it is so important in this changing world with a lot of economic stress and disasters, that they have somebody like yourself that is interested in them. We appreciate that very much.

We will go to our first panel. Dr. Billy Caldwell, assistant director of agriculture and natural resources at North Carolina State University and Ms. Patricia Reilly, student and 4-H member from Mocksville, North Carolina.

Dr. Caldwell, it is a pleasure to have you here, welcome to the Agriculture Committee hearing and you may proceed.

STATEMENT OF BILLY E. CALDWELL, ASSISTANT DIRECTOR AND STATE PROGRAM LEADER, NORTH CAROLINA AGRICULTURAL EXTENSION SERVICE, NORTH CAROLINA STATE UNIVERSITY

Mr. Caldwell. Thank you, Chairman Glickman, Representative Hefner and distinguished guests, ladies and gentlemen. I am Bill Caldwell, assistant director and State program leader for North Carolina Agricultural Extension Service. I am pleased to be with you at this hearing to discuss some of the needs of our consumers and farmers in North Carolina as they relate to the 1990 farm bill. We also appreciate your interest in coming to North Carolina to hear from our citizens first hand. As you develop the 1990 farm bill, I encourage you to include provisions that would encourage farmers to use environmentally sound sustainable practices. Farmers need to be given the opportunity to develop an environmentally sound management system for their land. These programs should be designed for the long term with incentives for voluntary adoption of sustainable systems without stringent regulations.

In the true land-grant tradition, North Carolina State University, College of Agriculture and Life Sciences, is truly the university of the people. We work not only to educate leaders for tomorrow, but we also strive to take knowledge and technology derived at the university and extend it to the people of this State through the Extension Service. We continue to have a primary mission of advising farmers on farm management and production. However, as rural communities have changed, we have broadened our mission to include meeting the needs of consumers, rural towns, and communities.

As extension has grown and progressed over the years, we have developed a practical, issues-driven program triggered by citizens' needs and spurred through grassroots advisory systems.

Briefly today, I want to highlight two areas; water quality and waste management. In my text I submitted for the record, I have also commented on sustainable agriculture, food quality, rural revitalization.

Over 50 percent of the people in North Carolina get their drinking water from wells. These citizens are rightfully concerned and asking questions about the quality of their drinking water.

In September, the Extension Service instituted a ground water education program. The purpose of this program was to determine the level, if any, of ground water problems in North Carolina, to assist well owners in correcting any problems and to educate all citizens about the causes of ground water problems, where to seek assistance and how to reduce their risk of contaminating their ground water source.

This program is currently being piloted in 20 counties in the State of which Moore, Hoke, Union, Cabarrus, Rowan, and Yadkin Counties in this congressional district are a part. To protect all of our citizens, this program needs to be implemented in the remainder of North Carolina's counties, which will require additional resources, particularly if you add pesticide analysis.

Waste management is closely linked to water quality. We are working with municipalities, agribusinesses, and farmers on waste management problems. An attractive option is to consider the municipal and animal wastes as a nutritive source for crop and forest production. To that end, we are working with municipalities to develop more efficient methods of waste treatment and disposal, to include the use of treated sewage effluent on cropland and forests. We are also working with farmers to utilize animal wastes that their livestock and poultry generate through land application for crops and forest production.

However, the environmental quality issue must be considered also. We have specialists and researchers in various departments looking for environmentally sound, economic methods of applying wastes aimed at maintaining soil and water quality. To enhance the capability of our county staff, we will provide 50 agents with in-depth training in water and waste management. This will equip them to assist farmers and local government in addressing water and waste management issues. With some additional resources, extension could extend the waste management program to educate local government administrators and officials and assist them in developing strategies to deal with their waste management problem.

An example, in Union County the town of Waxhaw and a nearby community of Baker had a problem with their sewage system. Extension specialists helped design a new system which utilizes treated sewage as fertilizer, cutting the cost of constructing and maintaining the sewage system. It is estimated that it saved Waxhaw roughly $1 million in comparison to a conventional system.

However, as you probably know, only limited information is available on the technical and environmental aspects of waste management. To carry out waste management programs in an environmentally safe manner, research information is needed on long-term impacts of municipal and animal wastes on crops, soils, ground water, and the environment. Therefore, it may be appropriate for the 1990 farm bill to consider ways to enhance the utilization of waste and providing extension and research the support necessary to develop waste management strategies.

In summary, as society and government become more complex, citizens will need the practical educational assistance of North Carolina State University, the people's university, in tandem with its grassroots arm, the North Carolina Agricultural Extension Service. Help us to maintain our ability to provide this service. As I have indicated, we have made a major effort to focus on issues important to people in the State and have enhanced our capabilities through training and redirection. To meet these expanding needs, extension requests additional support at the State and Federal levels. I urge the House Agriculture Committee, along with the rest of Congress, to support the unique role that the Extension Service plays in North Carolina and the Nation, and to provide the additional support to colleges of agriculture, through extension and research programs, that is necessary to meet the needs of our people.

Thank you.

[The prepared statement of Mr. Caldwell appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you very much, Dr. Caldwell, we appreciate your statement. Now we will go to Ms. Reilly.

STATEMENT OF PATRICIA M. REILLY, STUDENT, NORTH CAROLINA STATE UNIVERSITY, ON BEHALF OF THE NORTH CAROLINA 4-H PROGRAM

Ms. **Reilly**. Good morning, Congressmen. My name is Tricia Reilly and I am from Davie County, North Carolina. I really appreciate the opportunity to be able to come and speak with you this morning on behalf of the North Carolina 4-H program.

For the past 11 years, I have been an active 4-H'er here in North Carolina with my main interests in the area of livestock production and leadership. Through my 4-H experiences, I have learned a great deal about agriculture on the global level, as well as the positive impact that education has on our society. These factors have greatly motivated me toward my pursuit of an agricultural education career as a junior at North Carolina State University. I feel that my accomplishments and those of my fellow 4-H'ers are a direct result of the well-rounded program that 4-H offers. An example of some of the programs include communication, textiles, space technology, crop, and livestock production, as well as citizenship and leadership, just to name a few. One thing, however, that all of these programs have in common is that they are each an integral part of the agricultural industry.

Because of today's technological advances, many have said that we do not need as many people in production agriculture as we currently have. However, the U.S. Department of Labor indicates that over 50,000 agriculture and agricultural business-related jobs will be opening each year through the 1990's, and in fact by the year 2000, production agriculture will actually experience a shortage of workers in the areas which support the farmer. In addition to these technological changes, our society has changed in its awareness of agriculture. As a matter of fact, many of the youth today are two generations removed from the farm and do not understand the complexities of our food and fiber systems. Many youth, if you ask them where meat or milk or the cotton and wool to make their clothes comes from, they will many times simply respond "the store" and they will not be able to explain to you the origin of these products. 4-H is striving to help alleviate these situations, however, through project work and consumer education programs, as well as the special programs that we have to encourage youth who are interested in science and technology to take a look at agricultural sciences as a career option.

During 1989, young people in North Carolina had the opportunity to participate in over 64,000 4-H agricultural projects. Embryology is just one of the many projects that have been used in the school systems across the State of North Carolina and last year over 21,000 students learned about the biological life cycles of poultry as well as the responsibility that goes along with caring for their chicks in their project. Livestock production and judging are two other project areas that teach responsibility and also develop business sense through purchasing and recordkeeping. They also instill decisionmaking as well as speaking skills into these young people.

In the past years, the population shift of our country has moved from a rural one to an urban environment, thus creating new interests in agriculture consumers. Citizens are demanding more educational programs on urban horticulture, landscape development and maintenance. 4-H horticulture programs are designed to teach young people quality administration of landscaping, artistic arrangement, creative horticulture production, as well as the marketing and utilization of commodity products in food preparation. These are just a few of the many production projects and consumer education opportunities that 4-H offers the young people of North Carolina and the United States to broaden their perspective of the role that agriculture plays in our daily life.

Because of the need for communication, financial, educational, scientific and marketing specialists in the agriculture area, the national 4-H focus on the future program has been developed to help young people explore agricultural possibilities. This program allows 4-H'ers an opportunity to realize that agriculture is much more than production alone. Focus on the future exposes these 4-H'ers to over 48,000 positions which are available in the agricultural-related professions. These professions include scientists, specialists, educators, and marketing personnel who are all needed to support production agriculture. This program helps the youth to select appropriate high school courses that will prepare them for the rigors of college.

However, recognizing that course work is not enough, the farm family stability program was developed to give young people the opportunity to explore a variety of careers through hands-on experiences and a mentorship. These young people visit various agricultural businesses to learn about different careers, what these careers require and the rewards which they will yield. This exposure to the "real world" helps them realize the importance of their position in society and gives them a chance to be able to evaluate their possible career chcices. I ask that you please review the quotes that I have from some of the participants there in the written testimony that you have.

But 4-H is not only production agriculture. In an effort to prepare youth for careers in selected fields of study, 4-H also helps youth to develop a commitment to their communities, helps them value service to others as a responsibility of all citizens. By providing youth with communication skills, 4-H helps out leaders of tomorrow develop the poise and self-confidence that they need to be able to articulate their personal views and positions. Perhaps most importantly, 4-H helps to develop leadership skills by allowing youth to explore creative styles in which to conduct meetings, persuade others to become involved, and represent their peers on issues that impact young people today. Exposure to the global economy occurs in 4-H for many young people by interaction with youth from other countries through international travel.

This next farm bill that you gentlemen are going to be helping to draft is very vital to this Nation, and I feel that education should definitely be an integral part of this bill. It is true that as the number of farmers decrease, the burden on those who remain to provide a quality food supply of sufficient quantity will definitely increase. These farmers will need a competent support staff of agriculturalists to help them meet the demands of a safe food supply for America. This will only be able to be accomplished through improved educational opportunities for youth. The land-grant universities, which Dr. Caldwell just explained to you, and the Agricultural Extension Service give 4-H the vital information to not only educate the general public, but the necessary resources and opportunities for the young people of North Carolina to grow, develop, and have a positive impact on our world future of agriculture and uphold the motto of 4-H, "To make the best better."

I thank you very much for your time this morning as well as your concern for the youth organizations, not only here in North Carolina but those across the States. I will be more than happy to entertain any questions that you may have.

[The prepared statement of Ms. Reilly appears at the conclusion of the hearing.]

Mr. GLICKMAN. I want to thank both witnesses for excellent testimony. I would like to say, Ms. Reilly, that I think your statement is one of the best that I have heard in a long time as to the importance of 4-H to the whole spectrum of agriculture, urban, rural and the ability to give people a tremendous vocational boost. And I also think that at the back of your statement you have a statistical profile of people who participate in 4-H. In 1989, there were 204,000 youth in this State in 4-H. This is phenomenal. The other interesting thing is that there are more girls than boys who have participated in 4-H, and that is something that may not be replicated in other States but I think it reflects the vast importance of 4-H and what it does to build this continuing infrastructure of younger folks wanting to go into agricultural professions. So I think that is a real interesting statement.

Dr. Caldwell, I also thank you on your statement, the breadth of your understanding of the issues of food quality and environmental issues. As Mr. Stenholm pointed out, environmental issues will be a big dominating factor in next year's farm bill. One of the things you mention is that you say the 1985 farm bill has little incentive to offer farmers who want to use sustainable agricultural technology, technology that is not heavily laden necessarily with pesticides, traditional fertilizing, and pesticide orientation.

Do you have any ideas on what we might do, without necessarily being unduly burdensome from a regulatory point of view?

Mr. CALDWELL. I do not have any clear ideas of what rules or regulations might be included, except I have a real deep feeling that the farmers in North Carolina would like to move toward a more sustainable system. If the farm programs that are developed would give the flexibility and latitude for moving crops around, substituting some alternative crops on some of our highly erodible land such as we have particularly here in Mr. Hefner's district, that gives the farmer an opportunity to manage his total farm in an environmentally sound manner. Some of the programs we have that seem to require them to produce row crops, that we should be substituting a less erodible crop for.

Mr. GLICKMAN. To protect the farmer's base?

Mr. Caldwell. To protect the farmer's base, to give some incentive for those that are willing to consider using animal waste as a part of the nutritive source. We have to consider this animal waste as a nutritive resource, not just something to get rid of.

I was in Texas this weekend. You have excessive animal waste out in some of those feedlots also. How do we handle this in an environmentally sound manner that will enhance production and keep our cattlemen in business and allow them to manage their operations.

Mr. Glickman. Well thank you. I think that your statement does reflect a lot of the challenges that we will face in this whole environmental arena, which is probably the toughest part of next year's farm bill, and I appreciate very much your statements today.

Mr. Stenholm.

Mr. Stenholm. Dr. Caldwell, do you have any preliminary results of your water testing program or is it too early?

Mr. Caldwell. We have only one or two counties in since we just started it. Our water quality looks fairly good at this time. We have some instances that we have some concerns and some problems and many of these are related to the number of hand-dug wells we have in North Carolina that were dug back in the early years and the linings are not as sound and they are related to either some type of sewage, maybe septic system, or a run-off and nitrogen that is seeping into these wells. We find our farmers have been very responsive. This is a voluntary program, farmers and homeowners pay $10 to have their water tested.

Mr. Stenholm. How often is that fee charged?

Mr. Caldwell. Once.

Mr. Stenholm. How often do you test the well?

Mr. Caldwell. We are only doing this once. This is part of an educational program. There are more extensive programs planned in North Carolina by other agencies such as NCDA. This is based on education, you need to create an awareness in people about ground water and some of the ~~issues~~ surrounding ground water, and that is our prime purpose around this program.

Mr. Stenholm. Did you establish a benchmark?

Mr. Caldwell. Establishment of a benchmark.

Mr. Stenholm. Do you have any prior tests of this nature that you might compare it to?

Mr. Caldwell. Very little.

Mr. Stenholm. I commend you for your efforts in this regard.

Mr. Caldwell. We found a similar thing with some of our animal management facilities. There are very poor benchmarks around lagoons and feedlots as to what is going on with our waste and we really need to get data. We do not know the precise loading rates for animal waste or municipal waste.

Mr. Stenholm. I never fail to point out to every audience that we talk to, that the No. 1 concernee of ground water is the farmer. Water is indispensable to the production of livestock and crops. All producers are concerned about ground water, its content, and what we are doing to it. I commend you for pursuing your program and look forward to receiving the results.

When you say "without stringent regulation," What do you mean? To a farmer, regulations usually mean additional governmental intervention.

Mr. CALDWELL. That is right. We have heard, and you could perceive that regulation would go as far as to prescribing nutrients and pesticides by a farm plan. I agree with you that I believe our farmers want to be good environmentalists, and given the opportunity, they will move. We think in North Carolina that most of our farmers use some part of integrated pest management already and I believe they are concerned enough. Farmers tell me they live on the land, they are concerned, they drink water from those wells. They would like to see a safe plan, and I think that they want to be environmentally sound—I would say the counter to that, let us not provide a forced management of nutrients and pesticides, but let us do it through education. I believe they are willing to respond voluntarily.

Mr. STENHOLM. Tricia, I commend you for your statement and the enthusiasm with which you delivered it. I hope and I know that there will be a lot of our agricultural adult leaders that will follow your example and your testimony and every time we get an opportunity to speak about agriculture we will point out that we have the best food production system the world has ever known. We are producing the best quantity, quality, and the safest food supply the world has ever known. And so those voices that are constantly out there suggesting that there is something wrong with it, we always ought to turn that around and say that is an opportunity make the best better. That is really what 4-H is all about and I commend you for your testimony.

Mr. GLICKMAN. Thank you, Charlie. Jim.

Mr. WALSH. Thank you, Dan.

First I would also like to congratulate Ms. Reilly on her statement, it was very well thought out and very, very well delivered. And it shows that there is some real—the future is in our youth and people with an educational background such as yours with the ability to deliver the message, speaks very well of the future of American agriculture.

Mr. Caldwell, you raised a point that is a real issue up where I come from and I think it will continue to be more and more. And that is where you have an agricultural area caught onto an urban area and the issue is wastewater treatment and land spreading of sludge. That is a big issue up home, right now and the issues that arise out of there, the liability issue, what happens to the farmer whose land is affected or whose crops are affected by sludge, and what are the positive aspects of it, what are the costs, what are the economics of it, and some of the other concerns are pathogens that could be passed through land spreading of sludge.

It is an interesting question, I just wonder what the receptivity has been by your farmers and by your urban planners and soil conservationists, et cetera.

Mr. CALDWELL. As with any technology such as using municipal waste on the land, there is mixed acceptance, but in general it is fairly well accepted in North Carolina. We are also concerned on the land application of sludges. In some of our cities where you have fairly heavy metals that come from the sludge, you do have problems and concerns with animals grazing on this. We have concerns about phosphate loading on our soil and then if you link that to erodibility, then it is in the water.

We have some resistance, as you folks have, on people's thoughts about using sludge. The technology, as I have tried to indicate in my statement, is limited on the eventual effect on ground water. We know what happens if it enters surface water, but we do not know how long it takes to move in some of these soil profiles, particular some of the steep slopes. We probably do not have some of the problems you have of the very, very large cities that have to move sludges long distances for disposal.

We have some innovative systems which we are putting in place and we are fortunate to have some talented young staff who will work with our cities and municipalities in this area.

Mr. WALSH. How about composting versus raw sludge, what has been your experience?

Mr. CALDWELL. We have done both. I do not really have a good technical answer for you, I can get it for you.

Mr. WALSH. That would be helpful if you would pass that along.

Mr. CALDWELL. OK.

Mr. WALSH. Thank you, sir.

Mr. GLICKMAN. Thank you. Mr. Hefner.

Mr. HEFNER. I would like to ask one thing, Dr. Caldwell. In the last 5-year period of time, how much agricultural land has been taken out of production? Roughly, could you tell us?

Mr. CALDWELL. I do not really have that.

Mr. HEFNER. Has it been a substantial amount? Are we, like a lot of States, losing it at a very rapid rate?

Mr. CALDWELL. Not as fast as some of the other States. We have lost some land, we have some in reserve programs and we have some in the long-term program that is in forest. As you know, our sign up in the reserve program is not as high as some other areas. Also, we have lost much of our land to development along the interstate corridors.

Mr. HEFNER. One other question. I know that this committee, I believe last week in an emergency, passed a reforestation bill calling for $100 million and we will do that in Appropriations very shortly. How much did we lose in North Carolina, did we lose a great amount of forest in Hugo? I know it was tremendous in South Carolina and the bill that we passed would apply—all the States would be able to take advantage of it. But did we lose a great deal in North Carolina?

Mr. CALDWELL. Yes, we did, in this particular district we did. And up through the Piedmont into the mountains, we, as you indicated, have a lot on the ground that we cannot get out. We have a lot of land that we should move toward reforesting and that would be good in long-term reforestation. I do not know whether somebody else has the numbers on it, but up through this county and into the Piedmont and up through the mountains, we lost a lot of timber, hard and softwood.

Mr. HEFNER. I would commend you for your statement, and you Tricia, for your excellent statement. I hope we do not ever have to engage in a debate because I am behind already.

Ms. REILLY. Thank you very much.

Mr. GLICKMAN. We thank you both for your excellent testimony.

The next panel is three folks representing the North Carolina farm organizations; Mr. Chester Lowder representing the North Carolina Farm Bureau, Mr. John Suther representing the North Carolina State Grange and Mr. Benny Bunting, president of the United Farmers Organization. We are delighted to have you all here. Following you there will be another panel of farm organizations as well.

We are delighted to have you here and I think we will go first with Mr. Lowder, then Mr. Suther and then Mr. Bunting. And as I have said before, your entire statements will appear in the record. So, Mr. Lowder, you can begin.

STATEMENT OF W. CHESTER LOWDER, MEMBER, EXECUTIVE COMMITTEE, NORTH CAROLINA FARM BUREAU

Mr. LOWDER. Mr. Chairman, members of the House Agriculture Committee and Congressman Hefner, I am Chester Lowder, a dairy farmer in Stanly County and a member of the executive committee of the North Carolina Farm Bureau. On behalf of the Farm Bureau members, I express appreciation to you, Congressman Hefner, for requesting this hearing in North Carolina's Eighth Congressional District.

To you, Mr. Chairman, other members of the committee and congressional staff, we thank you for taking the time and showing the interest in North Carolina's agriculture to hold this hearing in Wingate today. We recognize the pressures on each of you for your time and attention and realize that your presence here today is indicative of concerns for the agricultural sector of the U.S. economy.

This committee has already begun receiving input and suggestions to be considered and incorporated in the omnibus farm bill next year. There are varied views as to the provisions which that legislation should contain. Many sectors of our economy and interest groups are participating in the process you allow for input into your considerations. All such groups are well intentioned, no doubt. However, we are concerned that some groups are not close enough to farming to be able to fairly evaluate the impacts of certain provisions they espouse.

From the Farm Bureau's perspective, the Food Security Act of 1985 has been relatively successful in achieving the basic goals set forth during its consideration. When the 1985 act was being developed, U.S. farmers were confronted with large surpluses and uncompetitive prices for major export commodities. Those conditions were the result of weaknesses in the global economy, an inordinately strong dollar and the export subsidy policies of some competing nations. Our exports and share of markets had fallen rather dramatically during the period following the enactment of the 1981 farm bill.

During that same period, the farm economy experienced its most dramatic downturn in 50 years leading some to describe it as a period equivalent to the Great Depression of the 1930's. Farm equity, which had reached a high of $922.9 billion in 1980 declined by 29 percent to $654.7 billion in 1985. Farm debt increased from $178.7 billion in 1980 to $206.5 at excessively high interest rates by

1983. Farm bankruptcies and foreclosures were being widely reported on the evening news and daily papers. Although the aggregate numbers have shown some improvement over the past 3 years—farm equity has improved by about 9 percent; farm debt has declined by 28 percent—a number of farmers continue to struggle with the burden of heavy debt. Many of those have seen their difficult situation compounded by adverse weather conditions which have been prevalent and widespread during the decade of the 1980's.

The weather factor, a planned devaluation of the U.S. dollar in relationship to money of several developed economies, the lowering of loan rates for major expert commodities, the Export Enhancement Program, targeted export assistance, combined with marketing loan programs for some commodities has helped to:

(a) Reduce excessive stockpiles;

(b) Increase both volume and value of exports; and

(c) Improve net farm income.

Those were the major objectives of the Food Security Act.

Mr. Chairman, achieving those objectives did not come to pass without substantial funding requirements from the U.S. Treasury. The Food Security Act was expected to carry a considerable price tag and it has; but it was a necessary expenditure in order to reverse the trend which had been developing under the 1977 and 1981 farm bills.

We believe it will continue to be essential that Government funding be substantially involved in agriculture into the decade of the 1990's and until the political, economic, and trade differences between the trading nations of the world are resolved. We recognize that given the budget constraints, that level of participation will not likely continue in the $10- to $15-billion range for the next several years. I would point out, however, that the goal of improving net farm income would have gone down the tube without the outlays of the Treasury over the past 4 years.

Further, I would suggest that every farmer would prefer to be able to make a livelihood without Government's financial participation, but such is not possible given the economics of our markets at home and abroad. The free market so frequently espoused is simply not that benevolent.

At this point in time, it may be unfortunate that a new farm bill has to be developed. There are a number of forces outside the provisions of the farm bill which will influence what we in the United States can do in the coming years. Among those forces are the outcome or final agreements reached in the negotiations of the Uruguay Round; final determinations of food safety standards; environmental and water quality issues; and economic stability and growth at home and abroad.

Uncertainties concerning food safety and the issues surrounding the environment and water quality leaves us less than clear on what agriculture's productive capabilities may be in the future.

Low Input Sustainable Agriculture, LISA for short, has become a new buzz word in many circles. But what does it really mean in the final analysis? To some, it is perceived as food and fiber produced without the use of man-made chemicals or fertilizers. To others, it means more moderation in the use of such products while to others, it means limiting the use of chemicals and fertilizers only to the extent necessary to maintain economically viable production levels. Candidly, we believe the economically lean years of the 1980's, combined with the heightened awareness of the risks to ourselves, our families and our resources have made farmers better stewards and managers of the inputs used in producing food and fiber.

Farmers already have adopted integrated pest management programs for many crops which have reduced the quantity of pesticides used. Integrated pest management programs for additional crops are being developed and will be adapted into farming operations. Additionally, the reregistration process underway under the provisions of the Federal Insecticide, Fungicide, and Rodenticide Act has eliminated a number of products and will likely remove even more from the market in this country.

The impact of the loss of the products, if really needed in the future, will be recorded in future history. It may be that through adoption of the products of biotechnology, we can develop an agriculture that is less dependent on traditional additives——

Mr. GLICKMAN. Mr. Lowder, can we ask you to finish in a couple of minutes? The red light is on.

Mr. LOWDER. OK.

Mr. GLICKMAN. In Washington, we do a lot of red ink and red lights. We have a red light today, which gives you about 6 minutes.

Mr. LOWDER. OK.

I would simply make the point that it costs the same to plant, cultivate, and harvest an acre of corn yielding 50 bushels as it does the same acre yielding 100 bushels. The difference is that it costs twice as much per bushel and bushels are what we sell.

To summarize, in the interim there are some areas of concern which we point out for your consideration. Among them are:

One, the need to preserve and utilize marketing order programs which assist in orderly marketing of agricultural products to avoid undue price disruptions.

Two, the formula to determine the price support adjuster for dairy may need more flexibility; a percentage of production rather than a specific quantity set forth in law.

Three, continuation of the current Peanut Program with minimal fine-tuning.

Four, continuing the Tobacco Program as separate legislation.

Five, continuation of loan programs, target prices, and income supports through deficiency payments and/or other mechanisms.

Six, balanced consideration for sectors of production agriculture not participating in farm programs.

Seven, how farmers can deal with natural disasters such as Hurricane Hugo, droughts, freezes, et cetera. Mr. Chairman, during the course of this year, North Carolina has experienced six tornadoes in addition to Hugo.

Eight, the conservation compliance provisions of title XII of the 1985 act have already caused significant problems for many farmers in this State. Further restrictions under that title will magnify that problem.

Thank you.

[The prepared statement of Mr. Lowder appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you. Excellent statement and very comprehensive in terms of the whole litany of issues we will have to be dealing with.

Mr. Suther, it is a pleasure having you here.

STATEMENT OF JOHN A. SUTHER, MEMBER, EXECUTIVE COMMITTEE, NORTH CAROLINA STATE GRANGE

Mr. SUTHER. Mr. Chairman, Congressman Hefner, and distinguished members of the House Agriculture Committee, I am John Suther, member of the North Carolina State Grange Executive Committee, and I live in the St. John's community in neighboring Cabarrus County. I appear today on behalf of the North Carolina State Grange. The grange is America's first national general farm organization with our State office in Greensboro and our national office in Washington, DC.

North Carolina is hosting, at this very moment, in Greensboro the 123d annual session of the national grange. That meeting is considering many of the same subjects that you are now considering, how to improve agriculture and rural America. The policy that will be developed by our grange leaders, based on resolutions from communities all over the country, will be conveyed to you in the very near future.

There are several areas I would like to speak to today.

The first is rural development. According to information on U.S. population, approximately 25 percent of our citizens live in rural areas today. Less than 9 percent of that rural population is actually engaged in farming and only about one-fourth of that 9 percent group actually receive the majority of their family income from farming. North Carolina and this congressional district has thousands of farmers who must depend on nonfarm income to support their families. Rural development programs that address infrastructure and economic needs are necessary to restore and maintain strong communities and people.

William D. Hefferman, professor of rural sociology at the University of Missouri stated:

> The structure of agriculture has a bearing on the structure, the make-up and the vitality of the rural community. The retention of well run, owner-operated family size farms not only brings life to the community but it enhances local tax revenues and employment and strengthens U.S. agriculture.

Rural communities are facing a new problem, encroachment of the urban or suburban communities. We know that at some time soon, the pressure to stop farming operations because of odors or flies will be made right here in Union County.

The 1990 farm bill should contain a strong rural development emphasis.

The grange is very concerned about congressional consideration of using motor fuel tax for deficit reduction. Rural people traditionally have a lower per capita income than do urban citizens, and thus do not need additional gasoline taxes for deficit reduction.

Another area of concern is the so-called farm problem. We all agree that there is no single farm problem. The problems that face farmers are complex, interrelated, and even international in nature.

The farm problem is real to the farmer, but the general public needs to become more aware of the value of dollars spent on agriculture. We are the best fed Nation in the world and at the lowest percentage of disposable income.

A strong section in the 1990 farm bill must address the need for strengthening exports. The grange continues to call for freer and fairer world trade. The grange has called for trade legislation that will deal forcibly with unfair barriers to our exports. The grange supports open foreign markets without restricting imports.

If we really want to maintain an agricultural presence in rural communities all across this country, the 1990 farm bill must target benefits to the small- and middle-size farmer. The grange endorsed the Farm Program Payment Integrity Act designed to help eliminate the abuses of large farm operators who circumvent Farm Program payment limitation laws.

The grange supports a market-loan program that will allow farmers to repay loans based on the market price of their commodity at the time of repayment.

Another area that needs addressing in the 1990 farm bill centers around the environment. The grange calls for research that will help restore public confidence in our food supply. Ways must be found to more quickly ban products truly warranting removal. Procedures must be made to speed up the process of registration of new, improved products. The farmer wants safe chemicals; the customer wants to be assured of a safe food supply; the 1990 farm bill can help establish processes to deal with this concern.

The grange has been pleased with the stability of farm income that our integrated poultry operations have brought to this district, but we also have concerns about the integrated system. Our concerns grow from decisions that are made in corporate board rooms that can put the production farmer out of business and in some cases off his land. The grange would like to see a contract between integrator and producers that would protect the rights of both parties.

In another related matter to the poultry industry, the grange would like to see a program developed similar to our Federal Crop Insurance that would insure the producer in the event of loss of production through disease or other natural disaster. Hurricane Hugo has pointed out to us how quickly income can be lost.

The grange supports the Federal Crop Program. Many of our members are coming to the position that Federal crop should be the basic disaster coverage with a surplus disaster program applying over those insured benefits. Let us see if the FCIC can be expanded for poultry and livestock operations. FCIC should be a strong tool that farmers want to use.

The North Carolina State Grange appreciates this opportunity to share with this distinguished committee our position on a variety of issues that will be considered in the 1990 farm bill.

Thank you for listening.

[The prepared statement of Mr. Suther appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you also. Another excellent statement. These are two of the best that I have heard from any farm organization with a comprehensive review of the issues. We appreciate it.

Mr. Bunting.

STATEMENT OF BENNY BUNTING, PRESIDENT, SOUTHEASTERN UNITED FARMERS ORGANIZATION

Mr. BUNTING. I testify here today as president of the United Farmers Organization, an organization representing the two Carolinas and working to strengthen the family farm system of agriculture. We have worked with Members of Congress to pass legislation, commented on regulations, and worked with farmers to complete their FmHA packets and now are working through the appeals process with them. Mr. Chairman, we want to welcome you and the other House Agriculture Committee members to North Carolina and commend all of you for your commitment to agriculture. Our appreciation also to Congressman Hefner for hosting and facilitating this hearing. The UFO was asked to key our remarks to the credit issues. We want to work with you to see that the 1990 farm bill does work and helps farmers stay on their land.

Let us keep in mind at this time the tremendous loss of farmers during the life of the 1985 Food Security Act. The mass elimination of family farmers surely must alert us that changes are needed. Increased degradation of ground water supplies and the environment suggest a need for innovative movement toward sustainable farming practices. This change must come through inspired leaders who do not sit idly by and await mass hysteria in concern for food and water safety. As anticipation of a new farm bill rapidly approaches, let us remain educated to changes in agriculture. Even with the vivid remembrance of last year's drought, UFO's members are aware that winning our constant dual with nature provides a bountiful harvest only if we have been as vigorous and successful in our battle to cultivate changes in public policy.

The credit issues, now let us talk on debt restructuring. Of primary concern is the outcome of debt restructuring notices sent to farmers from FmHA. All farmers who met the 45-day deadline for submission of their packets were required to complete a farm and home plan. It is this information that we assumed would be put into the computerized DALRS program to determine the outcome of the debt restructuring. We have discovered during the past few months from farmers around the Carolinas that there are problems with the entire process, from the input figures being changed by FmHA employees without notification to the farmer, no access to the computer program, to the assumptions by FmHA of the commodity prices and costs of production over the next 5 years. Commodity prices were issued in an early December administrative notice and have since been revised, but still predict 5-year reductions in commodity prices. The source of our figures is from FmHA AN-1857.

These are calculations that show what the crop years 1990 to 1994 will produce. Corn will drop 24.6 percent, soybeans will drop 27.5 percent.

We have a little workup here that will probably make it quicker to explain what goes on. If you are working with farmer *x* with a restructuring request to FmHA. The 1988 gross income from corn was $80,000, from beans was $80,000 with a total of $160,000. Estimated expenses to be 75 percent of gross, operating expenses would be $120,000. Farmer *x* has a viable, feasible operation with $40,000 left to pay family living and service their debt obligations—or do they? Let us feed this information into the DALR's program and see what the deferral projections will be: Income from corn would be $60,320, for beans $58,000. According to the FmHA AN expenses climbed by 20.1 percent of 1988 figures resulting in expenses of $144,120.

Consequently, past 1988 gross income is $118,320 and expenses are $144,120. A farming enterprise with a profit of $40,000 in 1988 is computerized into one that loses $25,800 per year, a net change of $65,800. Now farmer *x* is only eligible for a net recovery buy option, an option without any FmHA financing. Does this comply with congressional directive to maintain as many farmers as possible?

On the other side, farmer *y* owns a poultry operation. According to FmHA projections, broiler income will increase by 12.8 percent. Turkeys will increase by 43.8 percent. The farm 1988 gross income is $40,000 for broilers, $46,000 for turkeys. Enter this information into the DALR's program and the projection will be broiler income of $45,040, and turkey income of $66,148. The computer printout now shows that you have $25,188 additional dollars income for debt servicing. How did farmer *y* manage this? The poultry farmers I know have not even had a minimal contract increase in the past 3 years. Nevertheless, the repayment schedule will reflect this fictitious income.

The high number of net recovery buyout options being offered is no surprise when you look at these calculations.

There are many things we need to address now as far as recapture. Recapture is a term used when extending the net recovery buyout recapture period from 2 years to 10 years. It would not sit well with farmers because with a buyout period there is no longer an existing loan but an obligation not to sell for 2 years. Today's recovery value was paid for the property. If the borrower is for 10 years going to be required to share any profits from a sale, is the FmHA going to share in any loss of value at the time of the sale if the sale price is less than recovery buyout plus expenses spent to improve the property. A chapter 12 in this case would have been a much better alternative for the borrower.

Mr. GLICKMAN. May we ask you to summarize in a couple of minutes?

Mr. BUNTING. Yes, sir.

Let us go to write-offs. All these write-offs were already set up and addressed in the bill when they are the most cost effective, most cost efficient for the Government. Why limit write-offs, why limit them to one time if each time it is going to be more cost efficient. And if you look at the figures that were—farmer *y* in the poultry operation, he is going to accept that proposal of restructuring; it is going to show income he is not going to have, but he is going to accept it and in less than 2 years he is going to be back with another restructuring because is is not going to be a feasible farm operation. So we have to keep that in mind.

Land in inventory. There is a concern that all the former owners have not been notified of their priority rights in repurchase. We think this needs to be addressed strongly.

Appraisals. What is happening in North Carolina that we have seen, and South Carolina, is that Farm Credit will have this sale, they will be at a sale and they will be the successful bidder. That bid is an inflated bid because it shows what was owed against the property, but appraisers are picking up those as comparable sales when they are filling out appraisals on inventory property for restructuring purposes. This is totally inadequate and cannot be tolerated because it is fictitious figures that are being used.

A right to sue. As you gentlemen on the committee are probably aware, there is a split decision from the judicial system as to whether we have the right to sue Farm Credit. There is total disarray. Borrowers on the west coast cannot sue, farmers in the Upper Midwest can and we on the east coast can only speculate. There is mass confusion. Borrowers definitely need the right of private action and a unified nationwide decision must come from this legislative body.

Tax liability. A write down or write-off in the restructuring process is of no value if the consequence is a tax liability. We definitely need legislation on this.

Minority rights. The UFO is supportive of language to assure equal access to Farm Program benefits for the minority population. Good faith requirements have been debated almost as much as the enforcement issue and still are almost as hot an issue.

I will conclude with those. We have some more remarks in there to address and they are important issues.

Thank you.

[The prepared statement of Mr. Bunting appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you.

I want you to know that you have some specifics here with respect to Farmers Home that we intend to follow up with them. Your statement is pretty clear on the whatever the problems are in the operation of the program where you talk about the fact that congressional intent is not being complied with. I do not want you to think we have not looked at it.

I want to thank all of you for excellent testimony. I am not going to ask any questions other than to make a couple of comments. One is I appreciate the Farm Bureau's testimony and acknowledgment of the need to continue with the basic programs in existence for some period of time. It is important to note that farm spending is declining rather rapidly, both in real terms as well as a percentage of our budget. The amount spent on agriculture is infinitesimal compared to the total budget. The chairman of our full committee has a very interesting chart or graph where he talks about this.

But if we encourage lower farm prices as a result of meeting some sort of trade agreement, the likelihood is that those budget expenditures will increase again, and that will mean more pressure with respect to the Federal budget. Therefore, when we go into the trade agreement with the goal to get rid of all subsidies, which is a good goal but which may have the effect of further reducing the prices of the basic farm commodities; corn, soybeans, wheat, cotton, and rice particularly, but all of them, then you are going to see demands on the Federal Treasury again. And so I think that is a risk of the absolutely purest free market approach which some are talking about in the future.

But in any event, I think your statement is an important statement and I think the grange's comments on exports are good. The targeting comments, I would point out to you, I have been one of those that has been kind of interested in targeting Farm Program benefits based on size and 2 years ago Congress tried to do its best to stop what was called the Mississippi Christmas tree, which is breaking up farms into subfarms in order to get more farm benefits out of that. Some of you may have seen on "60 Minutes" last week about that being done in connection with water subsidies in California. But I would point out that there are an awful lot of folks who come from parts of the country where farms are much larger and they take issue with you, and me, on that particular situation, so it is not quite as cut and dried.

But again, I want to thank you all for excellent statements today. These are three of the best statements I have ever heard on specifics in terms of farm legislation.

Mr. Stenholm.

Mr. **Stenholm**. Most polls conducted all over the United States show basically what your testimony indicates. There is a basic satisfaction with the structure of the 1985 farm bill. That does not mean that there are not some that disagree and it has not worked as perfectly as some of us would like, but we can point to some noteable improvements.

So we are going to look for ways that we can fine-tune the 1985 bill and at the same time keep the cost to the Federal taxpayer down. That is going to be a challenge, it is going to be a good one.

We are going to make an effort to improve the Federal Crop Insurance Program to the extent that we can minimize the number of farmers that say "I would take it except it is not that good, it does not pay or my yield is too low" or all of the reasons why producers do not avail themselves to coverage.

How would you feel about having Federal crop insurance voluntarily mandatory? That is, you do not have to take it unless you want to participate in farm programs. You will have the freedom to stay out, but if you are going to participate in Federal farm programs that we are going to try to design to work for the benefit of all farmers, you have to take Federal crop insurance. Mr. Lowder.

Mr. **Lowder**. At this point in time I would say I was against it. And the basic reason would be that in the initial stages you had to have a total disaster to receive any type of payment. Yet you may be as financially strapped with a yield of 50 bushels as you would be if you had a total loss at say 35. There is no partial payments within that. I think it would depend—there are a lot of different situations in which it would work. In my case, I am in a dairy operation, I salvage a lot of those poor crops in a poor year. Just off my head, I do not know for sure that I could understand all the ramifications of——

Mr. **Stenholm**. The basic assumption of my question is that we would indeed have a viable Crop Insurance Program that would be adequate, whatever that means. When we buy fire insurance on our home or car insurance, it is adequate to cover the needs for which we purchased it for. Do not compare it to what we have today and do not compare it to the shortcomings of disaster programs.

If you have a comment, Mr. Bunting or Mr. Suther, I will take it.

Mr. **Bunting**. Yes, I have. We are mostly small farmers that are represented in the United Farmers Organization and a lot of times crop insurance is one of the expendable items. When we are having trouble just financing the seed, the fertilizer, usually the crop insurance is the first thing that can be eliminated, the rest cannot. I think it would be a problem unless you are going to add it to your target prices. Is that going to be a cost that is going to be added in—if you are going to raise target prices to compensate for that, fine. But it has to be addressed because it is a direct expense on our small farmers.

Mr. **Suther**. We discussed similar issues at our State convention and farmers are very opinionated. It was a very emotional discussion and we had some that would be entirely against that and others that would be all for it. Again, I think the small diversified farmer might vote against it—and we are talking about putting it up for a vote. I would guess that—our State grange convention happened during Hugo so we did not have as good representation as we would have had, I would say that the majority of the members present, delegates, would support that.

Mr. **Glickman**. Mr. Walsh.

Mr. **Walsh**. Thank you, Dan.

I would just like to bridge onto what Charlie was talking about and that is the crop insurance. We had a disaster relief bill before us this year and our dilemma is that certainly we want to help the farmer when they face a disaster, whether it be drought or pestilence or what it might be, but a key provision of that legislation, if I understand it correctly, is that anyone who benefits from disaster relief this year will have to enroll in crop insurance next year. Now you do not have to have a complete disaster. I am not sure of the percentage, about 65 or 70 percent of a loss, but do you think—certainly that is our problem legislatively, but would you rather see us write legislation that forces people into crop insurance based on some sort of disaster bailout bill? Would you see us abandon disaster relief or would you see us abandon crop insurance? Anybody want to comment?

Mr. **Bunting**. Right now there is a 5-percent fluctuation in the calculation if you apply for disaster. Whether you have crop insurance or whether you do not, it is not but 5 percent.

Mr. **Walsh**. So the crop of the insurance would be marginal in terms of the benefit of having it?

Mr. **Bunting**. It is 35 and 40 are the figures that they ask at the ASCS office when you go to apply; if you had crop insurance, figure on 35 percent, if you did not, you figure on 40 percent.

Mr. **Walsh**. I think what Charlie is getting at is if we had more participation in the program those premiums would go down and maybe that margin will not be so small.

Mr. GLICKMAN. Thank you. Mr. Hefner.

Mr. HEFNER. Thank you, Mr. Chairman.

Mr. Chairman, I would like to introduce the prepared statement of the American Textile Manufacturers Institute—ATMI—which expresses a vital concern of the textile industry in my State that they be assured of an adequate supply of quality cotton at a competitive price. My domestic mills have had to pay $270 million more for raw cotton than have their foreign competitors the last 3 years.

I would ask that the statement to which I am referring be made a part of the record of these hearings.

Mr. GLICKMAN. Without objection, so ordered.

[The prepared statement of Mr. Chestnutt appears at the conclusion of the hearing.]

Mr. HEFNER. It is kind of ironic, when you talk about crop insurance, what you are basically talking about is catastrophic. We just recently had a very unpleasant experience with catastrophic health insurance. Everybody wanted catastrophic health insurance until, at the insistence of the administration it was passed with requirement that these people who benefit must pay for it. We wound up with a catastrophic program, because some people are going to have to pay a little bit, we wound up repealing it because nobody wanted to pay for it. Consequently, somebody had to pay for it.

In the food area, I am one of those people who thinks that food is the best buy in the world, it is one of the best buys we have. And when you look at any administration that takes office, they like to point to the fact that food prices are down. Every month when they do their monthly report, it is a real feather in their cap if they can report that 6 months out of the year, 6 consecutive months food prices went down. Well if they do that, that is a feather in their cap, but somewhere out there the people that are producing the food and fiber are having it tough. It is just like the—it kind of works at odds, when the poultry producers, when there is a glut of grain on the market the poultry producers are doing great so they are real happy that prices are low. But when there is a real drought or something and grain prices are high, then the poultry producers and cattle producers—it kind of makes it tough and that brings us back to what the people are talking about, a free market, we do not have a free market. We all free traders, free market, free enterprise people, and we hope that we do not ever lose these family farmers, small family farmers, and wind up with food cartels like we have with oil cartels. If that happens then we are in a heap of trouble, and whatever administration is in office will not be able to point and say food prices were down for 2 consecutive months or whatever.

I do not know exactly what I am saying other than the fact that these men are doing a good job of putting together what is a very, very difficult thing to address because we have so much diversity. What we tried to do in these hearings today was to get as many diverse organization and people from as many vocations and avocations as we could, so the people that come could hear the real problems that these men are going to have putting together an agricultural program.

I appreciate your statements, I think they are very good and I think they are going to be able, because of hearings like this, to do a better job of putting together the next farm bill.

I appreciate your statements.

Mr. **GLICKMAN**. Thank you all very much. Good testimony, excellent testimony.

Panel three is Mr. Jack Shore, president of North Carolina Cattlemen's Association; Mr. Sammy Starnes, representing North Carolina Turkey Federation; Mr. Allan Baucom, representing North Carolina Pork Producers, and Mr. Kenneth Mills of Marshville, North Carolina.

We are delighted to have you all here. I note that between now and 12:15, Bill, we have 75 minutes and we have 14 witnesses left to go and we need to leave, at 12:15 p.m. at the latest?

Mr. **HEFNER**. Twelve-thirty p.m.

Mr. **GLICKMAN**. OK, 12:30 p.m. Well then, in doing my multiplication, if everybody sticks to the 5 minutes—I know it is difficult, but let me assure you that your entire statement will appear in the record, I ask that you try to stop your statement when the red light comes on, as difficult as it is. You are going to get a special tax credit from Uncle Sam, Congressman Hefner is going to get you an appropriation.

But please do your best to stop when the red light goes on, otherwise—I do not want to stop the hearing and not let the last group of witnesses testify, because we have these 19 bills up for a vote today and we want to try to get back in time to make that. So do your best to stop when the red light goes on. We will start with Mr. Shore.

STATEMENT OF JACK F. SHORE, PRESIDENT, NORTH CAROLINA CATTLEMEN'S ASSOCIATION

Mr. **SHORE**. Mr. Chairman, is my speaker on?

Mr. **GLICKMAN**. You are fine.

Mr. **SHORE**. As you can notice, I have already cut my speech short.

Mr. **GLICKMAN**. Then you get the extra special appropriation.

Mr. **SHORE**. Mr. Chairman, other members of the committee, Congressman Hefner, ladies and gentlemen, my name is Jack Shore and I am from Yadkinville. I am the current president of the North Carolina Cattlemen's Association representing approximately 3,700 members throughout North Carolina.

The association is affiliated with the National Cattlemen's Association.

I appreciate very much the opportunity to speak at this hearing and to represent the North Carolina Cattlemen's Association.

During the development of the 1985 farm bill our position was that all of agriculture should be treated with fairness and no commodity should suffer from special provisions made for another segment of agriculture. Our position remains the same in the development of the 1990 farm bill.

The Beef Promotion and Research Program was authorized by the 1985 farm bill and permits the collection of $1 per head on all cattle sold. This is a self-help program that is funding research, informing producers, and promoting beef without the use of American tax dollars. We believe the market should determine the price and level of production and not be influenced by governmental subsidies.

On the national scale, cattle is a $35 billion industry and is the largest segment of American agriculture according to cash receipt. The economic well-being of the cattle industry is important to North Carolina agriculture and to the Nation as a whole.

In our eyes, the 1985 Food Security Act has been a success. One of the keys to this accomplishment was the fact that Congress did not change the act in midstream. By allowing the act to mature, farmers could plan and implement management decisions without fear of Washington changing directions. We hope the 1990 farm bill follows the same direction.

Through the National Cattlemen's Association we plan to be actively involved in the development of the 1990 farm bill. Our primary areas of concern will be the grain, dairy, conservation, trade, and research titles.

Dairy policy will continue to concern us. At this point, there has been little talk of a new dairy whole-herd buyout and that is encouraging. Congress must continue to develop dairy laws that ensure accountability and low milk surpluses. The fear in the cattle industry is that if milk surpluses grow to unbearable amounts, the Government will again have to slaughter dairy cows to remove the surplus. Cattlemen cannot idly stand by and allow dairy policy to be implemented that encourages overproduction and burdensome milk supply.

The conservation title of the 1990 farm bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input in the title, from environmental groups to other committees in Congress.

We are very concerned about the environment, but we question the methods used to address the situation. Cattlemen believe it is imperative to closely guard private property rights as Congress writes environmental laws.

The Conservation Reserve Program will certainly be reviewed and the questions of what to do with the land after the 10-year contract are bound to be asked. Our answer is, let the land return to commercial use.

The National Cattlemen's Association's agricultural research priorities of the 1990 farm bill will focus on:

Addressing consumers' interest in food safety and human nutrition;

Conservation of land, water, and air resources; and

Improving the efficiency of production, animal health, and care.

Certainly there will be issues and provisions in the 1990 farm bill that have not surfaced.

I realize the complexity of your task and the pressures of developing this legislation. The association requests that all segments of agriculture be treated with fairness. We do not seek favorable treatment; however, we do not wish to suffer loss by special treatment of others.

Mr. Chairman, thank you for the opportunity to be here today.

[The prepared statement of Mr. Shore appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Shore. Mr. Starnes.

STATEMENT OF SAM O. STARNES, FARMER, MONROE, NC

Mr. STARNES. Mr. Chairman, distinguished guests and members of the committee and staff, I would like to begin by giving you some background on the economic importance of the turkey industry in the State of North Carolina.

Union County represents the largest concentration of turkey production in the United States, growing over 15 million birds annually with a value of over $34 million. This amount contributes to a State turkey industry which is No. 1 in the Nation with an annual production of 50 million birds representing well over $600 million.

My name is Sam Starnes, I am owner and operator of Circle S Ranch in Monroe. This farm was begun by my father S. Oren Starnes and has grown from a few thousand to its present production of over 3 million. We also far row crops of corn, wheat, and soybeans.

There are several points I would like to make. It is increasingly difficult to make a living as a small farmer. The size of the family farm has had to grow to compete. The tax laws and legislative acts must keep this in mind in order for the family business to survive. The forced conversation from cash to accrual accounting on family owned businesses with gross sales of over $25 million has taken tax deferrals away. This will weaken and burden us to the point where we cannot compete with the larger agribusinesses. The heritage of the family farm is the backbone of our Nation. The American dream of the free-enterprise system to build a business and pass it down from generation to generation is slowly disappearing. If you do not protect this a few large companies will be controlling our food costs.

Farmers Home Administration. The FmHA was set up to help the farmer get started and lend him a helping hand. I could give you example after example of where it works. Somewhere this system has failed to monitor its finances and bad management after bad management seems to penalize the farmer who has done a good job. When we have a disaster such as Hurricane Hugo a farmer with good credit cannot get any Federal assistance or help.

Much of the success of the farm is due to the information provided through the research developed through the land-grant system. Agriculture production based on sound research is directly responsible for this Nation's position as a world leader in agriculture.

The farmer is trying to lower his input cost of herbicides and pesticides and we are concerned and care about our environment. We feel a program like the LISA Program has come out of groups of people who are trying to legislate to eliminate practices and products without having applied research. They are basing their claims on fear and emotion instead of research. If this happens grain costs will soar to the extent where it will be hard to put food on the table at an economical price. We are in a world market and countries are competing with our meat and grain products. We must be cost effective. The Food Security Act of 1985 seems to be working, grain supplies seem to be more stable. Programs for the land and farmers seem to have less chance to be abused.

[The prepared statement of Mr. Starnes appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Starnes. Mr. Baucom, nice to have you here.

STATEMENT OF ALLAN L. BAUCOM, VICE PRESIDENT, NORTH CAROLINA PORK PRODUCERS ASSOCIATION

Mr. BAUCOM. That is a Union County name, by the way.

Mr. GLICKMAN. Is that Mr. Hefner's district?

Mr. BAUCOM. Yes, sir.

Mr. GLICKMAN. OK

Mr. BAUCOM. He claims us.

Good morning, gentlemen. I want to commend you for coming to the great State of North Carolina and on behalf of the North Carolina Pork Producers, welcome.

This State is an extremely diverse agricultural State and I am especially proud of the advances we have made in the pork industry in North Carolina. We market over 4½-million hogs annually. We have two counties, Duplin and Sampson, that are two of the largest hog producing counties in the Nation. North Carolina is ranked sixth or seventh in hog production in the Nation, depending on whose figures you want to use. And North Carolina is the fastest growing pork producing State in the Nation.

I want to congratulate the members of this committee for their fine work in developing and implementing the 1985 farm bill. But our top priority now is to look ahead to the 1990 farm bill, and this morning I want to specifically talk about three things; trade initiatives, commodity distribution program, and ground water.

On trade policy, the market forces of supply and demand would function well in the U.S. domestic context if left alone. However, that is not necessarily the case in the international export market where foreign producers are often subsidized. The U.S. Government needs to intervene to offset unfair foreign marketing practices, unfair foreign marketing ~~rules~~ and subsidies. The Federal Government should expand foreign market development efforts and assist in funding agricultural organizations in a fashion not possible by individual producers. This Federal support is needed to assist producers because they lack governmental authority and cannot readily act cooperatively.

Specifically, programs such as the Targeted Export Assistance Program provided $1.8 million in 1988 and roughly $2.5 million in 1989 for pork-specific promotions. These TEA investments took pork to new markets in Japan, Hong Kong, Singapore, and others.

The Export Enhancement Program was not used to respond to unfair trade practices on pork. However, we hope that there can be designed export programs in the 1990 farm bill that will provide us an opportunity to be more responsive to trade-distorting practices of our foreign competitors.

A new value-added export program would help further our industry by affording us the opportunity to sell more pork competitively in overseas markets. U.S. sales of end-products that require little or no additional processing for consumption accounted for only 5 percent of world agricultural trade in 1987.

Although one-fourth of U.S. agricultural exports fall into this end product category, the U.S. remains a very small player in this lucrative $134 billion international market.

In wake of recent developments in Poland and a subsequent need for food aid, we have been active in pursuing trade programs to include pork bellies in any food aid package. Therefore we would like to see a second look taken at Public Law 480 and other food aid programs that are designed to use surplus commodities.

The total value of pork and related by-product exports increased to over $382.5 million in 1988. However, the U.S. remains a net importer of pork, with the value of imported pork at nearly $934 million. Over one-half comes from Canada where pork producers receive Federal and Provincial Government subsidies in excess of $20 per head. We are seriously concerned about these unfair subsidies. We are seeking further assurances that pork imports meet the same health and sanitation standards that are required of domestically produced pork.

On the export side we are undaunted. Pork exports have a positive impact on slaughter hogs. In 1988 the net increase was a little over 90 cents per hundredweight to the U.S. producer. But in addition, 12.2 million bushels of corn and 3.1 million bushels of soybeans were used to produce this exported pork. We are optimistic about the opportunities to increase the exports of pork, yet we recognize that the rest of the world has also learned about the tremendous economic benefits of marketing grain through hogs.

Mr. Glickman. Mr. Baucom, your red light is on. If you can finish in 1 minute, we would appreciate it.

Mr. Baucom. I hate to do this, but I will.

The Commodity Distribution Program has worked good. We would like to see it remain the same.

On ground water, we would like to see additional soil conservation staff and ASCS personnel involved in working with the ground water laws that will be introduced in the 1990 farm bill. In conclusion, the 1980's have brought dramatic adjustments to agriculture here and abroad. The 1990's are likely to bring additional changes with the world economy being more interdependent than ever.

Biotechnology, environmental concerns, and more sophisticated foreign competition point to a whole different horizon of change. Therefore, we must stand ready for new directions for farm and trade policy. The North Carolina Pork Producers Association supports you in your efforts to tackle these new challenges and opportunities.

Thank you.

[The prepared statement of Mr. Baucom appears at the conclusion of the hearing.]

Mr. Glickman. Thank you very much. Mr. Mills, it is a pleasure to have you here.

STATEMENT OF KENNETH MILLS, FARMER, MARSHVILLE, NC

Mr. Mills. Thank you, Mr. Chairman. My name is Kenneth Mills, I represent myself. I have a small individual and family farming operation only 6 miles from this very location. I am involved in corn, soybeans, wheat, and a contract grower for Tyson Foods in production of broilers. My comments will be short and brief, there is no written statement that you can follow.

I have come here to ask this committee for serious consideration to help protect those of us who are still individuals farming primarily on our own as a "family farm" to perhaps redefine that term "family farm" to include an economic enterprise that would be of substantial size to generate income to support a family. As it is currently defined, I do not believe this would be possible.

Yes, I as an individual and small farmer support foreign trade of our commodities. I am open to the idea of importing commodities from abroad because I realize at least 50 percent of the row crop commodities that I produce must find markets abroad.

This is very directly related then to crop programs. We do not look for, wish to have, need to have or can continue to afford to have programs that will reduce—will contribute to the national deficit to support my habit of farming corn, soybeans, and wheat.

We need a program, if we are to compete with foreign competitors, that would equal those of the farmers in the countries that we are primarily dealing with on corn, soybean exports, but only to that maximum.

As far as the colleges are concerned, who could be more concerned with conservation of the soil, the water, and the air than those of us who depend on it primarily for our income and our families' health and well-being. I am a very conscientious supporter of the Soil Conservation Service's practices and programs.

I believe in the 1985 farm bill through the requirement for a farm conservation plan of operation. It is adequate and could continue to be quite adequate under the 1990 farm bill. I know the plans in this county have been made, they are in the hands of the farmers, the farmers have been receptive. These plans will reduce the run-off, they will reduce the soil erosion factors in our area to a point that is acceptable by the Soil Conservation Service. The mandate of these plans will be of course stringent upon a farmer participating in any kind of Farm Program where money, payable to the farmer would be involved. And what better leverage do you have to enforce any programs than economic leverage.

I support the land-grant college system. We need the research, the dissemination of that research to those of us involved in agriculture, especially the small farmer. The conglomerates, the large companies, of course have facilities, the money, the personnel to do their research. Those of us in my position neither have time, facilities, nor money to handle those things. We ask for this committee's continued support of these universities, these research programs, that we might benefit on the grassroots level.

Thank you.

Mr. GLICKMAN. Thank you very much, good statement, Mr. Mills, appreciate it.

Thank you all for your statements. I would just make a couple of points. Several of you talk about the need for increased agricultural research to make us competitive in the world. I agree, and it is one of the conflicts we have between those of us who want to cut the budget, cut the budget, cut the budget, which we have been doing slowly; not as effectively as we should, but we have still gone down that road, and yet recognizing that there are a lot of needs in this country to make us competitive in the world in the future and not all of those are compatible with constantly cutting the budget. And that is one of the obviously burning questions that we are facing right now in dealing with the budget problem.

The other thing—and I say this to Mr. Baucom, but all the group, is that right now Secretary Yeutter is contemplating moving ahead with a trade agreement which may have as one of its results, the negotiating away of all export promotion activities; TEA, EEP, everything. Now that is fine if the rest of the world removes all their barriers. But as has been said so many times before, we would be very naive indeed if we believe the rest of the world is going to entirely do away with that kind of thing. So I would let your voice be known on that kind of thing.

But I appreciate all of your testimony very much, excellent testimony. Mr. Stenholm.

Mr. **Stenholm**. I am going to comment on a few of your testimonies. First off, Mr. Baucom, if your pork industry is expanding as fast as evidently it is, you need to monitor possible ground water pollution problems. It is not something that is insurmountable, but attitude is very important. It is going to be a tough challenge.

Mr. Shore, you, as unfortunately so many others, are not too excited about the triple-base system. Being the author of that approach, I would like to find somebody every once in awhile that likes it, but I am having a hard time doing that. [Laughter.]

Just in case you do not truly understand it, let me take 1 minute and just explain what it is.

If you assume a 1,000 acre farm today, on which there are 500 acres of cotton, 300 acres of wheat, 200 acres of grain sorghum, under the current program we will have a 12.5 percent set-aside for cotton, 5 percent for wheat, and 10 percent for grain sorghum. Under the 1985 farm bill, just to take cotton for an example, 500 acres of cotton would require 62.5 acre set-aside. Thus, you would get paid on 437.5 acres. Under the triple-base proposal, we create a third base under the assumption we are going to have to cut Farm Program costs.

I will just pull numbers out of the air now because that is all we are doing. Instead of supporting the cotton farmer on 437.5 acres, let us say we support him on 350 acres. He gets a target price, he gets loan protection. But on the other 87.5 acres he can do whatever he wants to with it. He can plant cotton, he can plant wheat, he can plant grain sorghum, he can go into the cattle business, or he can do whatever he wants to. But whatever he does on those acres, he does it on his own receiving no Federal support.

I do sincerely think that this is one of the ways in which we can address our budget problems in the next farm bill. Maybe we need to fine-tune it, but take another good look at it.

No further questions.

Mr. **Hefner**. I will yield my time.

Mr. **Glickman**. Mr. Walsh.

Mr. **Walsh**. Thank you.

Just one question, Mr. Baucom, on the pork competition with Canada, that $20 per head subsidy. What does the Canadian-American trade agreement do with that?

Mr. **Baucom**. In fact recently that was in excess of $34 per head. This was an average over the past 2 years.

We have the agreement now, which was legislated last year, which we are getting about 80 percent and the subsidy is going back to the Federal Treasury of the United States. This is a temporary thing, there will be reviews next year. So we want to see this become more than 80 percent, become 100 percent and if at all possible 120 percent would be great. But also make it permanent.

We just want to be on a level playing field with the rest of the world.

Mr. **Walsh**. Are you saying that the Canadian Government will drop its subsidy to 80 percent?

Mr. **Baucom**. No, no. The subsidy money is having to come to the U.S. Treasury for the hogs that are being exported to the United States.

Mr. **Walsh**. And that is acceptable but you would like to see it go further.

Mr. **Baucom**. Sure. We just want to be on a level playing field.

Thank you all for your statements, they are very informative.

Mr. **Glickman**. Mr. Hefner.

Mr. **Hefner**. No questions.

Mr. **Glickman**. Thank you all very much, good testimony.

I would say to Mr. Hefner, so far this has been about the best field hearing I have ever been at since I have been on this committee. So either you are doing a good job educating them or they are doing a good job educating you—probably the latter.

Mr. **Hefner**. Will the chairman yield?

Mr. **Glickman**. I will be glad to yield.

Mr. **Hefner**. I want you to leave a few minutes at the end of this hearing for—someone is going to present us, or you all, some turkeys and ducks and whatever. It will stay within the limits. [Laughter.]

Mr. **Glickman**. If necessary, to get those we can adjourn the hearing right now. [Laughter.]

We will save plenty of time, I assure you.

The next panel please come forward. Mr. Spurgeon Brooks, Richfield, North Carolina; Mr. Jim Lambeth, Ellerbe, North Carolina; Mr. Jay Stallings, Albemarle, North Carolina and Mr. Carl Gallimore representing the North Carolina Peach Growers, Ellerbe, North Carolina.

Why do you not go ahead and begin. We will start with Mr. Brooks, Mr. Lambeth, Mr. Stallings, and Mr. Gallimore. And again, we appreciate your staying with the time that the red light—as soon as the red light goes on, we would appreciate you stopping. You may proceed.

STATEMENT OF C. SPURGEON BROOKS, OWNER, SUNNYBROOK FARMS, INC., RICHFIELD, NC

Mr. **Brooks**. Mr. Chairman, members of the Committee on Agriculture, Congressman Hefner, thank you for finding time to come to North Carolina and for giving some of us an opportunity to share our thoughts with you. I am Spurgeon Brooks of Stanly County, North Carolina, a semiretired dairy and grain farmer. Since I am retired I only work 10 to 12 hours a day, mostly as a hobby, doing some of the things my sons, who now manage and operate the dairy, want me to do. A farm bill at my age will not affect me very much regardless of what becomes law. However, I have much interest and great respect for those who follow.

There seems to be a misconception about agriculture and as a result we are all getting hurt. It is true that the number of people who are farming is declining. Many times because of fewer votes, larger numbers of people are getting the ear of our legislators and often, the dollar. Economist Michael L. Walden of North Carolina State University recently reported how large and important the agricultural sector is to our State. Including all sectors relating to agriculture, directly or indirectly, over one-third of North Carolina's economy in 1987 was accounted for. Almost 34 percent of all employed in the state are dependent on our agricultural base. We have a real job ahead of us to educate the public, and we need your help.

I was asked to come today and to state what I thought was wrong with agriculture or what is the dairy farmer confronted with. In my testimony I have tried to address some of the problems that dairy farmers of this area feel are important to their future. I mentioned animal waste, antibiotics, labor, better promotion of dairy products, and milk competing with other drinks, the Federal milk order, animal rights, and can the manager/owner of a dairy today survive the pressures.

Animal waste is here to stay if we keep animals. It would be great if someone could come up with a safe, cheap chemical that would kill odor. However, until research comes up with a better answer we must work with what we have.

Antibiotics are a concern for all of us. The dairy farmer uses them because he has nothing better. They are not cheap. However, without antibiotics, many dairies would be forced out of business.

Labor in this area is of great concern. Unemployment is very low. In our county, Stanly, at the present time it is 2.8 percent compared with a national figure of 5.3. Most other businesses can offer more in the way of better pay, more time off, better fringe benefits. As a result, the turnover of labor is greater, and this is also expensive.

We as dairymen must be concerned with sales and promotion of dairy products because our products are competing with other products and we must face it, they are doing a better job. We need more research and new ways to use our nutritious product.

Federal orders may be our source of marketing milk in the near future if our North Carolina Milk Commission should lose a court case regarding the pricing of milk in North Carolina. This could mean that the price paid to the producers would be less than is being paid at the present time.

Animal rights movements, as I see it, could cause the price of some food to be higher if they continue to grow in number and funding to promote their beliefs. If this is the case, then the Government will have a greater burden to feed and to take care of those in poverty and on food stamps.

My last concern is whether or not the owner/manager of a dairy can survive the pressure. I speak of all the demands for a successful dairyman to operate his farm and to be a part of society for the sake of his family, in the church, in the schools, and in community affairs. I speak from experience of 40 years. As I look back, I can say yes, I was a success, but at the expense of my family. I do not think that there is a fair compensation for time and investment compared to other industries or businesses.

[The prepared statement of Mr. Brooks appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Brooks, excellent statement.

Mr. Lambeth.

STATEMENT OF DONALD J. LAMBETH, PRESIDENT, TRIPLE L FARMS, INC., ELLERBE, NC

Mr. LAMBETH. Thank you, Mr. Glickman. It is indeed an honor for me to be here—and to the other members of the panel, also you too.

Good morning, my name is Jim Lambeth and I actively farm tobacco in Richmond County. I want to speak to you for a few minutes on what I think are some of the main concerns that we face today in the tobacco industry.

As each of you know, the Tobacco Program and tobacco itself has been, and hopefully will continue to be, the lifeblood of the economy of our State of North Carolina.

The current Tobacco Program that we are under now, that you all implemented in 1986, is generally working very well, and therefore I am certainly not suggesting any legislative changes. The current formula used by USDA to establish quota or pounds of tobacco to be grown in a particular year, with input both from domestic cigarette manufacturers and exporters along with stabilizations needs, ensures us against an over or undersupply of cured leaf, to a large extent. This combining of manufacturers, exporters, and stabilization needs to establish quota is very important in keeping supply in line with demand, and therefore ensuring us a good return on our investment.

I would encourage the Secretary of Agriculture, Mr. Yeutter, that since sales of tobacco dropped somewhat in price at the end of our marketing season, that he hold any increase in quota for 1990 to a minimum. He is allowed to adjust the formula plus or minus 3 percent by law or to leave it as the formula calls for. This is not to say that we as tobacco farmers do not want to produce more tobacco. If the world market needs more tobacco, we farmers here in the United States want to be the ones to produce it. We feel we can produce by far the best leaf in the world, but we do not want to produce a crop that has no guaranteed demand.

One thing I think needs to be addressed is the MH residue problem. This is a problem that threatens the very existence of our export market of tobacco. We can no longer sit back and hope that this problem will simply fade away because the West Germans as well as the other European Common Market nations have projected that by 1992, they will no longer accept tobacco with MH residues higher than 75 parts per million. U.S. tobacco constantly as a whole runs much higher than this and we as farmers must shoulder some of the blame. But with the limited labor situation we have now, expected to get worse, we need better chemicals that will do the work of the MH but not leave the heavy residues. Hopefully, some funding through USDA to the chemical companies and universities can help develop better sucker control chemicals that produce less residue.

Also, I would encourage you to use your influence in preventing any increase in the tobacco tax. Currently, tobacco contributes approximately $11 billion to the Treasury in taxes annually. I think this figure reflects the importance of tobacco to the general economy of the United States.

And I think at this particular time we would be wise not to ask or demand any legislation relating to the overall Tobacco Program due to the many critics tobacco now has concerning where you can and cannot smoke as well as the many health issues that we as tobacco farmers and users are constantly faced with.

In recapping, I just want to reemphasize that I think the tobacco farmer is on solid ground with the Tobacco Program as it now exists. With the new program incorporating the inputs of manufacturers, exporters, and stabilization into the year-by-year determination of the quota for the following year, and the plus or minus 3 percent discretion of the Secretary of Agriculture to adjust this quota, we should be better able to keep supply in line with demand. As long as the program is working as smoothly as it is right now, I think it wise for us to let it work for us.

Thank you for allowing me to appear.

[The prepared statement of Mr. Lambeth appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

Mr. Stallings.

STATEMENT OF DAVID N. STALLINGS, CATFISH PRODUCER, ALBEMARLE, NC

Mr. STALLINGS. Mr. Chairman, committee members and Mr. Hefner, we are glad to be here today. I am from Stanly County and my name is Ned Stallings. We operate two seafood restaurants in Stanly County and we have been in the catfish production for the last 2 years. And being in the retail end of it, for the last 2 or 3 years, we have really had problems getting quality seafood and I believe as many ponds as we have in Stanly County and throughout North Carolina, that aquaculture has a great future that offers many challenges which lie ahead to be conquered. It offers opportunities as an alternative to our basic agriculture, diversification to our existing agriculture and most of all, aquaculture offers a wholesome, nutritious, economical food to the American people.

USDA needs to classify aquaculture as agriculture in such a manner that all agencies will recognize it as well. Other agencies include EPA, Fish and Wildlife, FmHA, et cetera.

This recognition will have a profound impact on permitting tax breaks, ease of acquiring loans, et cetera. At present, if someone is interested in constructing a pond or impoundment for raising fish, he has to get a 404 permit along with the involvement of the Army Corps of Engineers.

USDA should take the lead in aquaculture and be recognized as such.

It is my understanding that USDA has one trained aquaculturist. There is a need for more.

At present, there are five regional aquaculture centers with an annual budget of $1 million each. These centers are good; however, there should be more of them so they can be more localized to the needs of the people. We share with 11 States as well as the Virgin Islands and Puerto Rico in the Southern Regional Aquaculture Center.

Continued funding for increasing publications to provide latest research finds.

Continued emphasis on research.

Concentrated efforts should be made to involve new States on the National Agriculture Committee.

Would encourage the tracking of funding over past years to make sure that all States get a representative share.

There should be provisions made for competitive grants for research for interested States.

In summary, aquaculture can provide the best of two worlds:

A delicious, nutritious food product that can be economical.

It will certainly add to the Clean Water Act as aquaculture requires the ultimate in clean water.

So by your continued support of aquaculture, you are adding to our great food chain and protecting the quality of water at the same time.

And providing another alternative agricultural commodity.

[The prepared statement of Mr. Stallings appears at the conclusion of the hearing.]

Mr. **GLICKMAN**. Thank you very much, Mr. Stallings.

Mr. Gallimore.

STATEMENT OF WILLIAM C. GALLIMORE, FARMER, ELLERBE, NC

Mr. **GALLIMORE**. I am here representing the North Carolina peach growers and I am glad to have the opportunity to speak to the Agriculture Committee.

I am here today representing the peach growers from the Richmond, Montgomery, Hoke, Anson, and Moore Counties region in the matter of the number of bushels per tree that are allotted in a disaster situation.

In 1984, growers had a potential crop until the 5th or 10th of June; then we had record rainfall for that time of the year. We were unable to spray effectively because the rain washed the needed chemicals away. We had the added expense of picking peaches only to find rot and ended up throwing away much of the crop.

In 1985, we had a total loss.

In 1986, we had 20 percent of a crop.

In 1987, we had 30 percent of a crop.

In 1988, we again had a potential crop as in 1984. Only this time we had picked two varieties when mother nature came down on us again. This time in the form of hail. As I am sure, everyone of us here today knows what hail does to peaches. Again we had the expense of picking, grading, and throwing away a substantial amount of the crop again.

In am certain you can realize that there has not been an average year for the past 5 years. I understand that the 1 bushel allowed per tree was based on an average of peach production for the past 5 years. When there is a good peach crop, an average tree will produce 5 bushels of peaches.

It is our suggestion that we peach growers should be given 3 bushels of peaches per tree when a disaster situation arises in the future.

Peaches are not just a summer job. Peach growing is a 12-month-a-year job. We begin at the first of the year by pruning, and then the removal of the prunings; in late February and March we fertilize the trees. Then there is the mowing of the weeds and grasses in the summer months; and then the spraying of the peachtree borer in September; and then the clean up of the limbs from various causes the rest of the year.

Thank you for listening and we will appreciate your consideration to our thoughts on this subject.

Mr. STENHOLM. Thank you, Mr. Gallimore. We thank all of you for your testimony.

Mr. Walsh.

Mr. WALSH. I would also like to say thank you for your testimony.

I am a little curious, and there is no relation at all, but you have a tremendously diverse agricultural base. Is there any way that the poultry farmers and fish farmers can get together? It would seem to me there are a lot of chicken and turkey livers out there and I think they feed fish livers. I was just curious about that.

Mr. STALLINGS. The catfish, we feed them grain.

Mr. WALSH. Feed them grain?

Mr. STALLINGS. Yes, they are grain fed. I feel like the catfish industry is where the chicken business or industry was 30 years ago. I believe we are just getting started and it will grow into something.

Mr. WALSH. Well I can tell you, I never saw catfish on a menu in New York State until about 3 years ago, and now it is on every menu in every restaurant that I have been to in the state. It is really popular and it is booming and people love it.

Mr. STALLINGS. The farmers just need to be made aware of the future and the way it can grow.

Mr. WALSH. You made the point about the Army Corps of Engineers. I know that the people that are doing it in New York have problems with the department of environmental conservation, the local conservation department, because of water, the treatment of water. Do you have self-contained ponds where the water stays there and you have to drain it off, and if you do drain it off where does it go?

Mr. Stallings. We just have been in it 2 years, but we just leave our water in the pond all the time and we have overflow pipes where when it rains, it changes in that way, but we keep aerators going all the time to circulate the water and we keep it clean that way.

Mr. Graham. In a good year, what is a good yield of a peach tree in the sand hills?

Mr. Gallimore. Five bushels.

Mr. Graham. Five bushels.

Mr. Gallimore. That is right. Takes that to live these days, too.

Mr. Glickman. Mr. Stenholm.

Mr. Stenholm. Mr. Brooks, who filed a lawsuit against the North Carolina Dairy Commission?

Mr. Brooks. Two guernsey producer associations and a jersey producer association and an individual in Mecklenburg County, who is a large producer.

Mr. Stenholm. I gather you would prefer to keep your North Carolina Dairy Commission functioning as it is?

Mr. Brooks. Well over the years we have worked under the milk commission and it was designed to produce wholesome milk for the consuming public, to meet their needs in North Carolina. I think it has done a pretty good job up until this point and if something goes wrong with it, then we have to take whatever the processor offers or whatever comes up from the milk order.

Mr. Stenholm. As you now know, we are experiencing record dairy prices, but we have also got some problems out there. My subcommittee is going to be spending a great deal of time addressing where we go in the 1990 farm bill.

We have a lot of adjusting to do and I am sure, Mr. Brooks, you and other members of the dairy industry here in North Carolina are going to be giving us the kind of input that we are going to need to try to put together a quality Dairy Program.

I commend the aquaculture industry for coming forward and requesting a seafood inspection plan. I know it is controversial, I know that it is going to be difficult to make it fit with all shapes, forms, and aspects of aquaculture. But in light of the food safety concerns that we have, it is extremely important that we develop a level playing field among various competing meats and foods. It is going to be a little rough going as we put it together, but at least I think we are headed in the right direction. Thank you.

Mr. Glickman. Thank you. Mr. Hefner.

Mr. Hefner. Just a comment on aquaculture. A couple of years ago I was in Oklahoma with Congressman Watkins and they had 600 people that came to a seminar on how to get into catfish farming. Of course, the economy was very depressed in Oklahoma at the time, and somebody suggested what they should do—this is real facetious—what they should do is cross these catfish with the walking catfish from Florida and let them just graze out in the field. [Laughter.]

Which probably will not work out. We could do some research on that, commissioner, send them some soil samples.

Mr. Graham. I do not recommend that. [Laughter.]

Mr. **Hefner**. Somebody wrote Commissioner Graham about how he could get into catfish farming, he told them to send him a soil sample. [Laughter.]

But I commend you all on a great statement, it is something, especially aquaculture, I think that is the coming thing. In New York every place you go now, even the—I do not go to many good restaurants—but the pretty good restaurants, you find catfish on the menu, and it is something that is going to be a coming industry. Of course, we are happy to have you here today and appreciate your testimony.

Mr. **Graham**. Mr. Chairman, along that line, we have a problem about is aquaculture part of agriculture. The Corps of Engineers just turned down last week a request of three young men down in eastern Carolina that was in corn and soybeans, been used the last 5 or 6 years for corn and soybeans. They wanted to flood it and grow catfish and striped bass. The Corps of Engineers turned them down because they said that aquaculture was not agriculture. Now I know you have an economist, this is a touchy subject and very vital to us down here, and I ask you to consider that sometime. I do not know who that fellow is in the Corps of Engineers, but I would like to wring his neck.

But anyway, this is a real problem for us.

Mr. **Glickman**. Before you wring his neck, you had better make sure that the statute did not preclude him from acting, and then you will have to wring our necks. And I do not want you to wring my neck, so we will correct this problem.

Mr. **Graham**. Well I love you, I am not going to wring your neck. [Laughter.]

Mr. **Hefner**. Would the chairman yield?

Mr. **Glickman**. Yes.

Mr. **Hefner**. Correct me if I am wrong, but in Louisiana, do they not flood the rice paddies and do they not grow crawfish?

Mr. **Glickman**. Right.

Mr. **Hefner**. Well now is crawfish, is that industry considered agriculture?

Mr. **Glickman**. I would think there would be no difference in that and catfish.

Mr. **Hefner**. The Corps of Engineers can be a bit difficult at times and I have found they are very good people, very bright people, but they have a tendency to have to be ordered to do something before they will do it. They did not particularly want to clean up Hamlet Lake until we put it in legislation and now they have found out that it is not a bad idea. But sometimes they can be a little bit obstinate and maybe we have to get their attention.

Mr. **Glickman**. I think Mr. Stenholm had one follow-up question.

Mr. **Stenholm**. Mr. Gallimore, on your peach problem dealing with the disaster programs, I hope that you will give recommendations to the committee regarding peaches and all horticultural products' participation in the Crop Insurance Program.

Mr. **Gallimore**. We have insurance, but generally it is a little bit slow.

Mr. **Stenholm**. I understand, but from the standpoint of being able to count on disaster programs when we have disasters on a localized basis, we cannot afford to maintain that type of direct Federal assistance. We need to look at how we develop insurance opportunities and give you the opportunity to purchase it or not purchase it.

Mr. GALLIMORE. Right.

Mr. STENHOLM. I would like to see us develop crop insurance protection for you, livestock, and for anyone that wants to buy the protection, so that in fact we can get away from the budget pressures facing the Congress and the unfairness of disaster assistance programs.

Mr. GALLIMORE. Well the reason why this came about, in the 1980's weather has not been good to the peach grower at all. In other words, until that point we were getting along fine. We had one total loss in 1955 and then came along and until the first of the 1980's and we have had total loss one after another.

Mr. STENHOLM. Sounds like west Texas cotton.

Mr. GLICKMAN. Mr. Walsh, you have a follow-up?

Mr. WALSH. Yes, one quick one of Mr. Brooks. Mr. Brooks, you said your sons were now in the business as dairyman?

Mr. BROOKS. Yes.

Mr. WALSH. Do they have a feeling about this bovine-growth hormone? Have you heard anything about it, have you got any neighbors who have experimented with it?

Mr. BROOKS. Well it is just beginning to come into the picture in this area and I have not heard them really make a comment on it. They are just kind of keeping their ears open to see what seems to be on the front burner in regard to it.

Mr. WALSH. So the jury is still out right now?

Mr. BROOKS. Yes.

Mr. WALSH. Thank you.

Mr. GLICKMAN. Thank you all for your testimony, we appreciate it very much.

We have two panels and I am going to ask everybody to come up to the table. Mr. Hendrix representing North Carolina Soybean Association; Mr. Hammill, North Carolina Corn Growers; Mr. Balfour, cotton promotion; Mr. Tatum, North Carolina Soil Conservation; Mr. Johnson, president of Pee Dee EMC, and Mr. Jack Jordan, executive vice president of Jordan Lumber Co.

I appreciate the cooperation of the witnesses. Let us begin with Mr. Hendrix representing the North Carolina Soybean Association.

STATEMENT OF EARL B. HENDRIX, MEMBER, BOARD OF DIRECTORS, NORTH CAROLINA SOYBEAN PRODUCERS ASSOCIATION

Mr. HENDRIX. Mr. Chairman and members of the committee, it is indeed an honor to meet with you here today. As you say the table is a little bit crowded. I have left out a lot of my presentation, you have a copy of it.

Mr. GLICKMAN. The whole thing will appear in the record.

Mr. HENDRIX. I would like to say I am Earl Hendrix, a multicrop farmer from Hoke County in the Eighth District. We farm tobacco, cotton, corn, small grains, swine, and soybeans. In addition to my affiliation with some other farm organizations and groups, I am currently the immediate past president and member of the board of directors of the North Carolina Soybean Producers Association.

And I also serve on a national committee of the American Soybean Association. Hence, I am here today as a bona fide farmer as well as a representative of the soybean association and addressing what I perceive to be some of the problems and some possible opportunities for soybean farmers here and across our Nation as you go about enacting the 1990 farm bill.

Following are 12 topics which in my opinion are the concerns of most soybean farmers:

First, need for dependable export markets.

Second, need for consistent long-range agricultural policy. Farmers must make heavy long-range plans and financial commitments and therefore, they must be able to know that agricultural policy will be consistent, dependable, and essentially immune from partisan political considerations.

Third, responsible grain and soybean reserves. These must be under farmer control.

Fourth, responsible loan rate without set-aside programs for soybeans and that provides no price floor for our overseas competitors.

Fifth, termination of U.S. taxpayer support of foreign competition combined with resolution of Latin American debt.

Sixth, continue pursuit of "Fair Trade" policies and practices by the European Community and others.

Seventh, need to restore investment tax credits to farmers.

Eighth, need for planting flexibility on program crop acres. This flexibility should allow up to 25 percent substitution with soybeans or other nonprogram crops without loss of base acreage. And restriction on use of set-aside acreage should terminate when the designated crop is harvested.

Ninth, need for reasonable environmental constraints that provide incentives to farmers to incorporate environmentally acceptable practices.

Tenth, need for better, more definitive labeling of vegetable fats and oils that will benefit soybean farmers and promote better health potential for all Americans.

Eleventh, need for Federal assistance for market development, combined with effective agronomic and utilization research.

Twelfth, need for stabilized fiscal and monetary policies. We need to eliminate the unbelievable deficits of Government and get our currency back to a stable value.

In conclusion, Mr. Chairman, we wish to express our appreciation for this opportunity to be at this hearing today. We encourage you to be diligent in your efforts to write agricultural legislation that will provide for economic justice for our Nation's farmers. We must keep this most important segment of our economy healthy and avoid making agriculture the Nation's economic shock absorber due to any mistakes or excesses of other segments of commerce, labor, industry, or Government. A viable U.S. agriculture is essential for the good health of this country and the entire world.

Thank you very much.

[The prepared statement of Mr. Hendrix appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Hendrix, excellent statement and I look forward to working with your organization as I have in the past.

The next witness is Mr. Hammill, representing the corn growers.

STATEMENT OF EDWIN H. HAMMILL, VICE PRESIDENT, NORTH CAROLINA CORN GROWERS ASSOCIATION

Mr. **Hammill.** Mr. Chairman, I am Edwin Hammill, a corn farmer from Rowan County, about 50 miles north of here. I am also vice president of the North Carolina Corn Growers Association. I appreciate the opportunity to appear before your committee today to discuss the 1990 farm bill.

First, I would say that the 1985 Food Security Act has been mostly successful and is generally fairly popular with corn farmers across our State. We believe the 1985 act stood up very well during our period of surplus corn stocks in the mid-1980's and it also did very well in our drought season in 1988.

In our opinion, there are three areas that the farm bill must be successful in dealing with.

The first is overproduction. We should maintain some reasonable annual set-aside provisions in the farm bill to hold our production in line.

Second, we must continue to restore our international grain markets and maintain domestic price competitiveness.

And third, most important, is to maintain some income security for the farmers in the country through acceptable levels of target prices and loan rates.

The 1990 farm bill of course will have to address the growing concern about environmental issues, including water, air, and soil conservation.

I would like to see the Department of Agriculture take the lead in the area of food safety instead of having the EPA and the Food and Drug Administration taking positions just to accommodate public pressure.

We have also seen the lowering of support prices return us to a competitive position in the world market. However, we feel that a continuation of the lowering of support prices in the 1990 farm bill is not necessary. As you all probably know, in the last year of the 1985 farm bill, the corn target price may be set as low as $2.75 per bushel and with the loan rate going as low as $1.57 per bushel. We feel that current market conditions at this time do not justify any further decline in the new farm bill.

A vigorous Export Program must also continue in the 1990 farm bill. In this regard, I would urge making the marketing loan for corn mandatory in any instance that our corn exports face unfair price competition for our overseas markets. Also a strong Export Enhancement Program must continue in the 1990 farm bill.

In our domestic markets, the use of degradable plastics must be pressed at the national level. I believe the 1990 farm bill must support and expand new and current industrial uses for corn. I would urge that the 6 cent per gallon exemption for ethanol from the Federal motor fuel excise tax be extended to the year 2010. We have seen corn usage in this area grow from 80 million bushels to 350 million bushels in just 10 years time.

In summary, Mr. Chairman, I believe that the 1985 farm bill does not need a major overhaul, it just needs a lot of fine-tuning.

Thank you for inviting me to testify before your committee.

[The prepared statement of Mr. Hammill appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, excellent statement.

Mr. Balfour.

STATEMENT OF JOHN G. BALFOUR, MEMBER, BOARD OF DIRECTORS, SOUTHERN COTTON GROWERS, INC.

Mr. BALFOUR. Mr. Chairman, members of the committee, on behalf of the North Carolina cotton farmers, I wish to thank the committee for its work on behalf of agriculture and for the time and effort you have taken in holding this hearing here in North Carolina.

I am John Balfour, a cotton farmer from Lumber Bridge, North Carolina, which is in Hoke County and in the Eighth District. I am presently serving on the board of directors of Southern Cotton Growers, Inc., on whose behalf I have the privilege of addressing you today.

Southern Cotton Growers, Inc., is a regional cotton producers organization in the southeast United States representing cotton farmers from throughout Alabama, Georgia, North Carolina, South Carolina, Florida, and Virginia. I need to clarify, the program says I am representing North Carolina Cotton Promotion Association. I am as well representing them, I am past president of that organization and they are a vital part of Southern Cotton Growers, Inc. The policies of Southern Cotton Growers, Inc. are also the policies of North Carolina Cotton Promotion Association.

Before I address the subject matter of today's hearing, I wish to take this opportunity to thank this committee, the House and the Congress for their passage of the Disaster Relief Act of 1989. Our farmers in North Carolina and South Carolina have suffered the worst disaster in recent history. Hopefully the Disaster Relief Act will lend some assistance.

Cotton farmers in North Carolina and the Southeast endorse the continuation of the Food Security Act of 1985, with minor adjustments, which provides the Secretary with the necessary tools to assure that we maintain our competitiveness which moves our commodities in foreign and domestic trade and provides our farmers with a fair return on their investments.

Throughout most of its long history, the CCC loan including the 8-month extension, has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool; provided a mechanism through which adequate supplies could be carried at a reasonable cost; and has aided farmers in obtaining production credit.

The CCC loan level for cotton should remain at its present term and level and premiums, discounts and bases, including location adjustments, should accurately reflect market value.

We support continuation of the target price concept which more accurately reflects inflation in the cost of production, however, we urge the use of a cost per acre rather than a cost per pound, in determining increases in cost of production.

We oppose any limits on price supports or payments due to their inherent inequities and the adverse effects such limits have on balancing supply and demand as well as bringing about increased Government expenditures.

We further oppose any type of offsetting and cross-compliance as such policies would have a severe impact upon our farmers in the Southeast, which grow more than just one crop. In addition, such policies would reduce drastically participation in any type of production control programs as well as provide a double standard to those farmers affected by limitations.

We urge this committee, Congress, USDA, and other governmental agencies to adopt and implement the following provisions as part of the agricultural policies of the United States.

I have quite a list here and in the interest of time, I am going to skip over and just hit the highlights.

Mr. **Glickman**. They will all be part of the record.

Mr. **Balfour**. I would like to just mention one on production controls:

Maintain the continuation of the target price concept which accurately reflects the cost of production. For determination purposes the cost of production should be based on cost per acre rather than cost per pound, which I already have mentioned.

Also I would like to urge you to continue to support the Boll Weevil Eradication Program. Through this Boll Weevil Eradication Program we have substantially reduced the use of insecticides which as you are all aware of, affects the environment and we have cut insecticide use in cotton down by at least one-third because of eradication of the boll weevil. And by the way, the insecticides we use on cotton today is more environmentally safe than any I know of. We use that in household spray bottles, the same materials, which you all are probably familiar with.

The other one I would like to urge you to support is Cotton Inc. funding. Support legislation that permits uniform collection of research and promotion assessment, without a refund option, on upland cotton produced or imported by the United States and on cotton product imported.

I would urge you, on Thanksgiving Day, to please watch the Macy parade and see where some of the cotton dollars, assessment dollars, are being spent on promotion of cotton. We have a great demand for cotton today and I give Cotton, Inc. a lot of the credit for this demand we have today. So please continue that support.

Thank you.

[The prepared statement of Mr. Balfour appears at the conclusion of the hearing.]

Mr. **Glickman**. Thank you. Mr. Balfour, on the Boll Weevil Eradication Program, Mr. Stenholm has been chairman of a group of conservative democrats commonly referred to as boll weevils. We assume you are not talking about eradicating him or his organization. [Laughter.]

Mr. **Balfour**. No, sir.

Mr. **Glickman**. All right. We thank you very much for your testimony.

Mr. Tatum, it is a pleasure to have you.

STATEMENT OF EZRA C. TATUM, SUPERVISOR, DAVIE COUNTY SOIL AND WATER CONSERVATION DISTRICT

Mr. TATUM. Thank you, Mr. Chairman and members of the committee. We certainly appreciate this opportunity to appear before you, and since I am near the end of the program, I would like to say that I have been really impressed with the attention that you have given us, and your knowledge. Of course when you told us what you thought of our Representative, Bill Hefner and Jim Graham—by listening to those, you are bound to be informed, you were well prepared for this and we appreciate your interest and what you are doing here.

My name is E.C. Tatum, I am a Christmas tree farmer and a supervisor for the Davie County Soil and Water Conservation District.

Despite some of the initial rough edges that needed to be smoothed, the conservation provisions of the 1985 farm bill have served a useful purpose. Those of us interested in conservation recognize the high cost of uncontrolled erosion, pollution of our waters, and unnecessary conversion of wetlands. The sodbuster, swampbuster, and the conservation compliance provisions address these problems.

We think it is not too much to require those who receive the benefits to take reasonable precautions to protect the land and water resources of our Nation. These resources are indeed critical to our survival as a free people.

Skipping on down, although somewhat displeasing to some, the conservation provisions of the 1985 farm bill have raised the level of conservation awareness for most of those who own and use the land. Knowledge is a powerful tool in protecting it.

The Conservation Reserve Program has been a valuable tool in removing highly erodible land from cultivation and in providing the conservation treatments needed for these marginal croplands. It has also provided a measure of financial security for the elderly, widows, and disadvantaged who can receive a reasonable rental rate for their CRP acres over a period of 10 years.

I urge you in the strongest way that I can to make sure that the Federal Government carries its share of the load in soil and water conservation programs. Technical assistance to help farmers install best management practices is critical. In recent years, this commitment has seemed to wane as budget pressures that you have alluded to build. It is time to give soil and water conservation very high national priority. Instead of a host of new programs, I believe we need to make sure that those already in place are adequately financed.

Let me skip on down to the specific recommendations that we have regarding the 1990 farm bill.

One, continue the sodbuster, swampbuster, and conservation compliance provisions of the 1985 farm bill as now written and interpreted. It was interpreted a little strong for us in this area to begin with, but that has improved to where most people can live with it.

Two, continue the Conservation Reserve Program. Change the procedures to eliminate the bidding process so that those farmers with eligible land will know up front what the rental rates are. Include provisions for incentives to encourage retention of CRP lands in cover after the 10-year contract period ends. The bidding process keeps farmers delaying their decisions. If they knew up front what they were going to get, they could make plans.

Three, include provisions to provide incentives for water quality improvement measures on agricultural land. Let me say on this water quality that we in appearing before our commissioners, have trouble trying to get them to come up with better funding for us to get technical assistance. When we pointed out to them that the water we were trying to purify was the water that they and everybody else in that county was drinking, all of a sudden we got the money and we got the program. You have to sell 200 and some Congressmen on this farm bill. I believe if you work on this water quality business that everybody in every State drinks as well as the food, we think that is good leverage. We need help on that.

Four, we need to resist pressure to require nutrient and pesticide management plans on the so-called cross-compliance requirement. We know it is there, but let us be able to farm at the same time.

Five, include provisions for additional technical assistance to States in implementing State water quality programs similar to the North Carolina cost-share program.

Six, provide for additional research on the effects of conservation on both surface and ground water, especially in regard to nutrients and pesticides.

We appreciate your attention, keep in mind if you will, that the land and water resources are the base from which we build and sustain our Nation and our freedom as well as our competitive edge.

Thank you.

[The prepared statement of Mr. Tatum appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much, Mr. Tatum, good statement.

Mr. Johnson.

STATEMENT OF RICHARD H. JOHNSON, PRESIDENT, PEE DEE ELECTRIC MEMBERSHIP CORP., AND MEMBER, NORTH CAROLINA ASSOCIATION OF ELECTRIC CO-OPS

Mr. JOHNSON. Chairman Glickman, members of the committee, Congressman Hefner, my name is Richard Johnson, I am president of the Pee Dee EMC and member of the North Carolina Association of Electric Co-ops, the State association of rural electric cooperatives. In North Carolina, 28 rural electric systems provide electric service to over 550,000 consumers in 95 of the State's counties.

I appreciate the opportunity to address the committee on a matter that is very important to rural electric systems and their consumer owners, and that is the economic prosperity of rural America.

The 1990 farm bill will be pivotal in determining rural America's future. Clearly, policies of the past have developed situations that are of concern to all of us.

Large farms with annual sales of more than $500,000 are increasing in number. They constitute only 1.2 percent of the total number of farms, but now annually produce one-half the cattle and calves in the country, one-half the poultry, 70 percent of the vegetables, one-half of the fruit, and 20 percent of the hogs, but that is increasing rapidly.

These large farms are more prevalent in the Pacific and central regions of the United States. They are driving smaller enterprises out of business, requiring the smaller farms to depend on grain farming and nonfarm jobs to stay in business.

At the end of 1987, there were 1.5 million farms selling less than $40,000 of farm commodities per year, netting almost nothing on the farm operation, but earning about $23,000 per family, mostly from nonfarm jobs and salaries.

On restructuring of currently financed farm loans, there is great concern about the way IRS treats the write-off of principal and interest. It is my understanding that the interest can be written off without any tax consequence, however, any principal written off is treated as earned income. This creates a tax consequence very unfavorable to the ones involved.

These numbers underscore very clearly the importance of rural economic development. Agriculture is and will continue to be the primary engine that drives the rural economy, but in order to maintain stability, we must diversify that economy. We must provide jobs and opportunity, not only for the thousands of young people who are forced to leave their communities in search of employment, but also for those small family farmers who need nonfarm income to survive.

We need this diversification for other rural enterprises to maintain their financial viability, and that brings me to something that is near and dear to rural electric systems. More than 250 of our systems are losing consumers. And we are already confronted with a consumer mix that makes it more expensive to provide electricity in rural areas. Typically, a rural electric system in this country has only about five consumers per mile of line, and typically two-thirds of these consumers are residential. Rural electric systems simply do not have the middle-sized and large consumers that can use a system's total capacity. Yet the system must maintain that capacity to meet the peak demands of the total system.

That is an expensive way to provide electricity and that is reflected in our rates, which nationally on average are 15 percent higher than those of the neighboring utilities. That is why rural economic development is and will remain one of the top priorities of rural electric systems.

While we firmly believe that rural economic development must be locally motivated, we also firmly believe that there is a partnership role for the Federal Government.

This committee has been supportive of measures which allow rural electric systems to take a leadership role in rural economic development, and for that, we are deeply grateful.

The Rural Electrification Program is a shining example of what an effective partnership between the Government and the private sector can accomplish. Rural electric co-ops are locally owned and operated, and the Government's role is to facilitate their operation through the provision of affordable capital and technical assistance. As the Congress begins its consideration of rural development legislation, I would urge that it be modeled after this highly successful partnership arrangement.

I would also be hopeful that as the committee addresses U.S. farm policy, you will put the interest of the American farmer first. This has a direct impact on the economy of our rural areas.

A strong domestic farm economy is the foundation for rural development and rural economic stability.

Rural America is just beginning to recover from nearly a decade of farm depression and the legislation you are currently involved in will certainly be pivotal in assuring that continued recovery.

I thank you for the opportunity to appear before the committee.

[The prepared statement of Mr. Johnson appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you very much.

And Mr. Jordan.

STATEMENT OF JACK P. JORDAN, EXECUTIVE VICE PRESIDENT, JORDAN LUMBER & SUPPLY, INC.

Mr. JORDAN. Thank you, sir. I guess I am the one everybody has been waiting for. And I would like to think that you saved the best for last, but it is probably just the luck of the draw. [Laughter.]

I also know that the attention span is in proportion to the time that the rear has been on the chair, so I will paraphrase——

Mr. GLICKMAN. Also, the mind can absorb only what the seat can endure, that is another way of saying that. [Laughter.]

Mr. JORDAN. I am Jack Jordan, executive vice president of Jordan Lumber & Supply, Inc. As my family and employees of Jordan Lumber are celebrating this month our 50th anniversary of business in North Carolina's timber industry, it is particularly a great honor to have this opportunity to speak before this committee concerning North Carolina's reforestation needs.

Today, I would like to make a brief statement concerning the need for your continued support of the Conservation Reserve Program to meet the current and future needs of North Carolina's private landowners. With the loss of the favorable capital gains tax provision in 1986, our experience in dealing with private landowners constantly shows us there is no reasonable financial benefit for private landowners to assume the risks involved in long-term tree farming. For the sake of time, I will quickly summarize our thoughts on the CRP into five recommendations which are as follows:

First, Conservation Reserve Program just needs to be extended.

Second, the sign up period needs to be changed from—I think it is twice annually now to just make it year round, where they can sign-up.

Third, the erosion eligibility requirement for tree planting should be reduced to make more land available for this program.

Fourth, also the bidding process, as Mr. Tatum said, should be abolished for setting the annual rent payment.

And fifth, allow for the eligibility of highly erodible pastureland that meets erosion criteria to be included in the program.

These are things we would like to see you do with the CRP.

Also, under the Forestry Incentive Program, since 1974, the FIP program funding has been reduced from $1.6 million to $577,000. The total reforestation and natural regeneration in North Carolina has increased to a little over 100,000 acres this year, representing approximately one-half of the harvested acres needing reforestation. In North Carolina we have our own program in which the industry and the legislature together have funded an amount of about $2.2 million this year. We would like to have an additional $400,000 in the Federal FIP program to go with this to get lands reforested.

Because of decreased funding over the last several years in the FIP program, it has virtually been applied only to planting and not the site-prep needs that are out there. We have found over the years that the land needs to be prepared to receive the forest crop just like it does to receive any other annual crop, and the money has not been going into that and that is the big kick there in the cost of reforestation, to get the bulldozer out there or get the site burned or what-have-you.

The last area we would like to see you consider is some type of catastrophe legislation in the wake of Hurricane Hugo. It is estimated by the North Carolina Forest Service that approximately 2.7 million acres were impacted by Hugo in North Carolina, of which approximately 1 million acres will require reforestation. Additional funds for site prep and reforestation could be handled as a one-time appropriation, but needs to be eligible for 2 to 5 years in order to be effective. We urge your support for a program such as this or any of the bills recently introduced in Congress requesting emergency funding.

I think we are seeing now as a result of Hugo that so much of the timber that is down is not going to get to be harvested because of the timeframe and because of the way it is down. Some trees are broken off 10, 12-feet in the air. You have a very dangerous situation for logging, and on top of that if you just leave it there, it is going to be hard to get somebody to come back in and plant the trees because they are not going to climb over it. So we need some consideration out there for some type of disaster funding.

Thank you.

[The prepared statement of Mr. Jordan appears at the conclusion of the hearing.]

Mr. GLICKMAN. Thank you, Mr. Jordan, and I might tell you that this last week we have passed some legislation which will hopefully deal with our problem.

I have no questions, I would just make—again, you all have done a terrific job. Mr. Balfour, I appreciate your comments about crop compliance as it affects the Southeast. To some extent there is not an identity of interest. In my part of the country, we do not have the capability in many parts of our area to produce more than just one crop and in the Pacific Northwest there is no capability of producing more than one crop. So you sometimes see the interest of wheat producers not necessarily being consistent in the Pacific Northwest and even in the high plains area on issues like crop compliance consistent with perhaps some parts of this country. We have tried to do our best to work those problems out, but they remain problems and that is one of the reasons why having more base and yield flexibility, whether it is Charlie's triple-base program or one of the others, makes a lot of sense to try to deal with some of the regional conflicts that sometimes exist in this country.

I would just say I have no questions, other than this panel has been terrific as well as the other ones. This has been one of the best field hearings I have ever attended, and I compliment you all and Bill Hefner for arranging it all. I would say that there may be other witnesses who would like testimony in the record. The hearing record will remain open for 10 days, so if anybody wants to submit a written statement, they should do so by sending that statement either to Congressman Hefner's office or the House Agriculture Committee in Washington and we will include that statement in the formal written record. So we would like to keep the record open for 10 days to let anybody who wants to add testimony to that hearing.

Mr. Stenholm.

Mr. STENHOLM. Mr. Tatum, where you stated that "Despite some additional rough edges that needed removing, the conservation provisions of the 1985 farm bill have served a useful purpose." I would just use that as saying that as we look at the environmental title, keep in mind the problems we have had and what problems would have been in the conservation title had not people from the very top in Washington on down used common sense in the application of the laws.

Mr. Balfour, why are you urging the use of cost per acre rather than cost per pound?

Mr. BALFOUR. Because of yield variations as much as anything. We have a fixed cost per acre no matter what our yield might be, no matter where it is. If you use a cost per pound of say 65 cents, if I make 1½ or 2 bales per acre my cost per pound is less. Some system needs to be developed, each State has a different cost per acre of production. That needs to be taken into consideration.

Mr. STENHOLM. Mr. Johnson, I have a special spot in my heart for rural electrification. I managed a rural electric for 9½ years and I think you are right on target regarding rural development.

Mr. Hendrix, I am glad to see somebody agree on the need for additional flexibility.

I do believe flexibility is absolutely important. We are getting locked into bases which has become detrimental.

Mr. GLICKMAN. Thank you.

Mr. Walsh.

Mr. WALSH. Thank you, Mr. Glickman. I would just like to state that I have been very, very pleased with the testimony that we have heard. I am amazed at the diversity of your agricultural base. I will say without equivocation—Mr. Glickman said this is one of the best field hearings he has ever attended. I will say without equivocation this is the best field hearing I have ever attended. I would have to qualify that by saying this is the first field hearing I have ever attended. [Laughter.]

But I am sure it sets the standard for all future ones.

I would also like to just very briefly agree very strongly with Mr. Hammill. Mr. Stenholm, Congressman Roberts, and myself are cosponsors of a bill, a food safety bill, that puts that responsibility squarely in the realm of the U.S. Department of Agriculture. I think we need to set those standards ourselves. It is good for the consumer and it is good for American agriculture.

I would just again thank you all very much for your participation. We have heard you and we will try to put it to work in the farm bill.

Mr. GLICKMAN. Thank you.

Mr. Hefner, our host today.

Mr. HEFNER. Thank you, Mr. Chairman. I want to once again thank all the people who made this possible. We are on a tight schedule, we have to get out.

We have enjoyed this hearing, it has been very good. We had a hearing some 2 years ago with Chairman (Kika) de la Garza, who could not be with us today.

Mr. Melvin Newton, Chairman of the Union County Ag Advisory Board, will be presenting you with some products.

With regard to the Concord Duck, we were having some problems being able to do some exporting. As you know, the Chinese eat every part of the duck except the quack, I think. We were having trouble exporting the gizzards to China, so we went to work and now thanks to Concord Duck, they not only sell the tongues, they sell the gizzards, they sell everything. So there is no waste in the duck from Concord Duck, so we are going to eat the part that they do not export.

Thank you for coming, Mr. Chairman. I would like to thank all the folks for coming and I especially thank these members. They could have been other places today, I feel sure. There is something they could have been doing, but I want to thank them for coming and sharing with our folks. We just appreciate you coming and hope you are going to write a good farm bill and we are going to be watching very closely what they do.

Mr. GLICKMAN. We want to thank you all for being such hospitable hosts, we want to thank the commissioner of agriculture for everything that he has done for us, and particularly want to thank Bill Hefner, our friend, leader on the Appropriations Committee and somebody who is extremely important in making sure that rural policy in this country continues to have the initiative and the push and the support that we know so desperately that it needs. It has been a great hearing, appreciate your hospitality, we are looking forward to seeing and hearing from you in the near future.

The hearing is adjourned.

[Whereupon, at 12:30 p.m., the committee was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Statement on Hurricane Hugo damage before the U. S. House of Representatives Committee on Agriculture by North Carolina Commissioner of Agriculture James A. Graham, Monday, November 13, 1989, 2 p.m., Wingate.

Mr. Chairman, distinguished members of the committee; thank you for allowing me to appear before you.

Though I'm glad to see each of you, I wish this meeting was not necessary but nature his dictated it so.

The Eighth Congressional District of North Carolina suffered nearly $100 million of the $175 million in total agricultural damage done by Hurricane Hugo. Never before has a storm so powerful struck with such fury and done so much farm damage in the heartland of North Carolina.

The damage ranged in the millions in most of the district's twelve counties but in Union alone it was $63.5 million. Other severely damaged counties were Stanly with $10 million; Rowan with $7.26 million; Anson, $6.8 million and Cabarrus, $4.5 million. Poultry and poultry buildings were hardest hit.

We can't prevent a natural disaster like this but we must be ready for them. Farmers need immediate assistance in the form of life's necessities for dairy and poultry farms generators essential and quickly. But almost as quick, they need low interest FmHA loans and liberal consideratins on existing loans. In other words, they need their credit extended.

(more)

On the bright side, the tobacco program is working well and needs no changes.

The 1990 Farm Bill should pattern as close as possible the 1985 bill. Keep in mind, price support rate and target price rates should not be reduced. They are low enough.

I also recommend conservation programs be strengthened and that one base exist for all program commodities.

Erase from your minds the word "free market" because as surely as we are here today there is no such thing. Do whatever you can to improve our export markets with a reasonable return for our farmers. Agriculture for this nation must be our top priority. Defense, important yes, but it won't be without people and people must eat.

Thank you Mr. Chairman and distinguished members of your committee for allowing me to appear before you. Come back to North Carolina.

-30-

TESTIMONY BY
DR. BILLY E. CALDWELL, NORTH CAROLINA AGRICULTURAL EXTENSION SERVICE
BEFORE THE HOUSE AGRICULTURE COMMITTEE
CONCERNING THE 1990 FARM BILL
MONDAY, NOVEMBER 13, 1989. 9:00 A.M., WINGATE, NORTH CAROLINA

Chairman de la Garza, Representative Hefner, ladies and gentlemen, I am Dr. Billy Caldwell, assistant director and state program leader for agriculture and natural resources, and community and rural development with the North Carolina Agricultural Extension Service. I am pleased to be at this hearing today to discuss the needs of our farmers and consumers as we look toward the 1990 Farm Bill. This is an expanded version of my statement to the panel. We appreciate your interest in hearing, first-hand, from our citizens.

First, with this farm bill, Congress has an opportunity to decide if the majority of economic benefits from farm legislation should be directed toward small family-owned farms and rural communities who need the incentives to survive, or toward large corporate farms which see the federal farm programs as another "profit center" for their operations. Determining who should benefit from federal farm program provisions dovetails into another major policy debate concerning the role of environmentally-sound agriculture in the farm bill legislation.

Second, as you develop the 1990 Farm Bill, I encourage you to include provisions that would encourage farmers to use environmentally-sound sustainable farming practices. Farmers need to be given the opportunity to develop a management system for their land free from the current restraints of base acreage, conservation compliance and cross compliance. These programs should be designed for the long term with incentives for voluntary adoption of sustainable systems without stringent regulation. The legislation should allow farmers with small - as well as large operations - to benefit from the program. I believe that North Carolina farmers, through appropriate legislation and education, will respond and adopt environmentally-sound production systems.

Now, I want to switch gears to the local scene. From a state-level perspective, I would first like to talk about the programs of the College of Agriculture and Life Sciences at North Carolina State University, known as CALS. CALS includes agricultural extension, agricultural research and student instruction in agriculture and life sciences, from undergraduate through post-doctorate studies.

In the true land-grant university tradition, our university is the university of the people. We work not only to educate leaders for tomorrow, but we also strive to take the knowledge and technology derived at the university and extend it to the people of this state through the Extension Service. We continue to have a primary mission of advising farmers on farm management and production. However, as the rural communities have changed, we have broadened our mission to include meeting the needs of consumers and rural towns and communities.

The Extension Service is truly unique because we are the only organization that can take research advances in management and production practices and adapt them to systems currently in use. We also are concerned with regulatory and environmental considerations and help farmers, local governments and other clientele incorporate them into their programs.

The strength of the Extension Service is its one-on-one working relationship with its clientele. No other organization in this state has the information resources at hand, or the ability to transmit them to people in 100 counties of this state, like the North Carolina Agricultural Extension Service.

As Extension has grown and progressed over the years, we have developed a practical, issues-driven program triggered by citizens' needs and spurred through grassroots advisory committees. The Extension Service has adopted nine initiatives, based on the most pressing needs of our people. Traditional programs are re-gearing to incorporate activities of these initiatives, which include:

- sustainable agriculture
- alternative agricultural opportunities
- water quality
- conservation and management of natural resources
- revitalization of rural North Carolina
- improving diet, nutrition and health
- family and economic well-being
- building human capital
- youth at risk

Looking at these initiatives, you may be thinking, "Well, fine and good, but what does that mean to Joe Smith in Union County?" Let me cite several examples currently being implemented under these initiatives.

WATER QUALITY

Over 50 percent of people in North Carolina get their drinking water from wells. With recent publicity over water quality problems in other areas, citizens are rightfully asking questions concerning the quality of their drinking water.

In September of this year, the Extension Service instituted a groundwater education program. The purpose of this program was to determine the level, if any, of groundwater quality problems in this state, to assist well owners in correcting any problems, and to educate all citizens about causes of groundwater problems, where to seek assistance and how to reduce their risk of contaminating their groundwater source.

This program is currently piloting in 20 counties in the state, of which Moore, Hoke, Union, Cabarrus, Rowan and Yadkin counties in this congressional district are part. To protect all of our citizens, this program needs to be implemented in the remainder of North Carolina's counties which will require additional resources. We plan to test some 8,000 wells for nitrates, chlorides and conductivity. The presence of these substances indicate water quality problems stemming from fertilizers, animal waste and septic tank effluent.

When the wells are sampled, each well owner will be asked by the volunteer sampler to complete a land and chemical use survey which will determine conditions around the well that might affect water quality. The cost of this service is $10, which covers only the analytical costs for the samples. The counties are attempting to assist those citizens unable to afford to pay for well testing. Confidentiality of the sampling will be respected, with the results and suggested corrective action from individual well tests going only to those who requested the service.

In addition, in those areas where pesticides are commonly in use, some wells will be tested for a number of pesticides. Pesticide analyses are very expensive. With current budgetary limitations, extensive pesticide sampling cannot be done. Additional resources will be needed by the Extension Service to carry out the pesticide testing component of the water quality program.

County agricultural extension personnel will conduct educational programs for county citizens to increase their knowledge and awareness of water quality issues and problems, as well as where to go for assistance. Meanwhile, our extension specialists are working together across disciplinary lines to develop a total approach to solving and preventing water quality problems. The data we gain from this program will help extension leaders and state and local leaders develop long- and short-term strategies to direct future efforts aimed at preserving water quality for the citizens of this state.

Let me also say that this program has been interagency in nature, with cooperation from the Soil Conservation Service, Soil and Water Conservation Districts, N.C. Department of Agriculture, N.C. Department of Environment, Health and Natural Resources, local health departments and the like. For example, in September, the Extension Service and Soil Conservation Service trained 400 Extension agents and soil conservationists throughout the state on the role of nutrients, pesticides and animal wastes in water quality.

WASTE MANAGEMENT

Closely linked to the water quality issue is waste management. We are working with municipalities, agribusinesses and farmers on waste management problems. As our human and animal populations increase in this state, as environmental restrictions on waste management tighten, alternatives to disposal must be found. An attractive option is to consider municipal and animal wastes as a nutritive source for crop and forest production. But, we also have a real dichotomy here - we must develop environmentally-safe methods of waste management and utilization that won't impose such a high cost of implementation that municipalities, agribusinesses and farmers are placed in a no-win situation.

To that end, we are working with municipalities to develop more efficient methods of waste treatment and disposal, to include use of treated sewage effluent on cropland. This solves a disposal problem for municipalities and offers a low- or no-cost way for farmers to obtain the nutrients they need for crop production. We are also working with farmers to utilize the animal wastes their livestock and poultry generate through land application.

However, the other side of the equation - environmental quality - must be considered also. We have specialists and researchers in crop science, soil science, biological and agricultural engineering, and other disciplines working to develop safe, environmentally-sound, economical methods of applying these wastes aimed at maintaining soil and water quality. To enhance the capability of our county staff we will provide 50 agents with in-depth training in water and waste management. This will equip them to assist farmers and local government in addressing water and waste issues. With additional resources, Extension could extend the waste management program to educate local government administrators and officials and assist them in developing strategies to deal with waste management.

Without our efforts in waste utilization, I have no doubt that many farmers and agribusinesses would be out of business, and municipalities would be forced to curtail sewage treatment loads by mandatory means. The environment would surely suffer as the waste disposal infrastructure in this state crumbled under extreme pressure of competing needs.

Some other examples of Extension-assisted projects on waste management include swine waste utilized to produce bermudagrass for hay and cattle enterprises utilizing swine waste and poultry litter as a nutrient source in an intensive grazing system.

In addition, swine, cattle and poultry producers in Greene County have worked with the Extension Service to develop an alternative to burial of dead animals. A central collection facility was designed where dead animals are collected daily and taken to a local rendering plant. The rendering plant purchases the dead animals and pays the livestock producers' association.

We are currently working with one coastal municipality to provide technical resources, education and information, and to develop public consensus as to how they deal with their waste problem - through sound discharge, disposal at sea or by pumping the treated water for land discharge.

In the Union County town of Waxhaw and a nearby community of Baker, residents handled sewage through a combination of an old sewage treatment plant and septic tanks. Waste handling was not adequate, but the communities could not afford a new conventional waste treatment system. Extension specialists helped design a new sewer system which utilizes treated sewage as fertilizer, cutting the cost of constructing and maintaining a sewage system to an affordable level for this small town. This system saved Waxhaw roughly $1 million in comparison to conventional systems.

As a result of several environmental incidents in Gaston County, county officials have requested assistance. Extension Service personnel are currently working with Gaston County in conducting a county-wide environmental assessment. Let me say that this study is supported in part by a grant from Gaston County government. The county will then develop a plan of action to address air, soil and water quality problems. The Extension Service's educational abilities will be utilized to aid implementation of programs.

To meet the needs of the counties and expand the ability of the Extension Service to meet the broadening responsibilities involving waste management, mechanisms are needed to provide support to counties developing action programs and to Extension for educational programs.

The Extension Service is attempting to respond to these and other waste disposal needs as a part of our program commitment to water quality and conservation of natural resources.

However, only limited information is available on the technical and environmental aspects of waste management. To carry out waste management programs in an environmentally-safe manner, research information is needed on long-term impacts of municipal and animal wastes on crops, soils and the environment. For studies conducted to date, data on impacts to groundwater are also meager. Therefore, it may be appropriate for the 1990 Farm Bill to consider cost share or allocation of costs as a way of shifting the funding burden.

SUSTAINABLE AGRICULTURE

As part of their environmental commitment, this state's farmers want to be good stewards of the land as demonstrated by their use of pest management strategies and conservation practices. However, economics dictate that they must also make a profit on what they produce or get out of farming. Sustainable agriculture offers a broad spectrum of techniques and farming systems which can help farmers use less of the more costly inputs such as fuel, chemical fertilizers and pesticides, and which will help them to sustain their farming operation at a much lower level of expense. But just as important, sustainable practices offer very attractive environmental benefits.

Current pesticide use patterns reflect grower's increasing sense of responsibility concerning how they use pesticides. For example, pesticide use nationwide is down 45% between 1976 and 1982. Herbicide rates have decreased; post emergence herbicides, which allow treatment only when necessary, are increasing in use and cultivation techniques have increased in popularity. Environmental monitoring to determine when fungicides should be sprayed are an integral part of field, vegetable and fruit crops. Environmental responsibility has become even more a part of growers' decisions to use pesticides. Nitrogen, phosphorus and potassium use on tobacco has also decreased 4%, 43% and 26%, respectively.

Much remains to be done in research and extension to develop production systems which help farmers manage inputs in an environmentally-sound manner while maintaining profitability. To accomplish this will require an expanded integrated pest management (IPM) and best management practices (BMP) effort. Additional specialists and agents will be needed who have the time and expertise to devote to this program. Mission-linked, multidisciplinary team grants which encourage joint research-extension studies of major needs and problems would also facilitate application of knowledge and transfer of technology to our citizens. We ask that funding of grants of this nature be considered during development of farm bill legislation.

FOOD QUALITY

Coupled with the sustainable issue is the quality of food delivered to the consumer. The CALS extension and research programs are committed to strategies that deliver safe and nutritious food. We need to produce food free of natural and manmade toxins. This will require the management of pesticide inputs to reduce damage from insects and diseases without residues. With pest damage, the incidence of toxin-producing organisms increases. In addition, the product must be handled and processed to deliver a quality product to the consumer.

We feel that much remains to be done in research and extension to develop production systems which help farmers manage inputs in an environmentally-sound manner while maintaining profitability. However, the 1985 Farm Bill has little incentive to offer farmers who do want to utilize sustainable agriculture technology on a broad basis in their farming operations. There are few, if any economic incentives, and a great many disincentives, under current Farm Bill legislation to encourage farmers to use sustainable practices.

Additionally, for farmers to use these practices effectively, especially when using rotational practices and the like, federal farm programs must be more long-term in outlook and regulation. Currently, the rules for farming under the federal programs change constantly, offering our farmers little incentive to develop long-term farming systems around sustainable practices.

I urge the House Agriculture Committee to look closely at modifying Farm Bill legislation to allow federal program incentives to farmers who employ sustainable practices in their farming operations. It is important to our farmers, to our environment and to consumers who buy and eat food produced on our nation's farms.

RURAL REVITALIZATION

I want to discuss one last concern. The nature of our rural communities is constantly changing. Small and part-time farmers in search of supplemental income, environmental issues facing small towns and communities, educational needs - formal and informal - require Extension assistance. Extension is attempting to respond to these needs. In this Extension district, redirection of the program led to the hiring of an economic development area agent. That agent will focus on strategic planning, economic development and small business assistance. Additionally, home economics has developed a major program thrust in home-based businesses and in rural health. For Extension to meet the needs of communities for rural revitalization assistance, additional area agents will need to be employed.

As society and government become more complex, citizens will need the practical educational assistance of North Carolina State University, the people's university, in tandem with its grassroots arm, the North Carolina Agricultural Extension Service. Help us to maintain our ability to provide service. As I have indicated, we have made a major effort to focus on issues important to people in the state and have enhanced our capabilities through training and redirection. To meet these expanding needs, Extension requests additional support at the state and federal level. I urge the House Agriculture Committee, along with the rest of Congress, to support the unique role that the Extension Service plays in North Carolina and the nation, and to provide the additional support to the colleges of agriculture - through Extension and research programs - that is necessary to meet the needs of our people.

Thank you.

TESTIMONY FOR CONGRESSIONAL HEARING
WINGATE COLLEGE, NORTH CAROLINA
NOVEMBER 13, 1989

Tricia Reilly, Davie County, North Carolina
National 4-H Leadership Winner 1988
Junior at North Carolina State University, majoring in Agriculture Education

For the past eleven years, I have been an active 4-H'er with my main interests in the areas of livestock production and leadership. Through my 4-H experiences, I have learned a great deal about agriculture on the global level as well as the positive impact of education on our society. These factors have greatly motivated me in my pursuit of an agriculture education degree as as junior at North Carolina State University. I feel that my accomplishments and those of my fellow 4-H'ers are a direct result of the well rounded program that 4-H offers. An example of these programs include communication, photography, consumer marketing, sewing, foods and nutrition, space technology, livestock production, leadership, and citizenship, just to name a few. One thing that all of these programs have in common is that they are an integral part of the agriculture industry.

Because of today's technological advances, many have said that we do not need as many people in production agriculture as we currently have. However, the U.S. Department of Labor indicates that 50,000 or more agriculture and agriculture business -related jobs will open up each year through the 1990's. By the year 2000, production agriculture will experience a shortage of workers in the areas which support the farmer. In addition to the technological changes, our society has also changed in its awareness of agriculture. Many of the youth today are two generations removed from the farm and do not understand the complexities of our food and fiber systems. Indeed, many, if asked where meat and milk or cotton and wool to make clothes comes from they would simply respond "the store," not being able to explain the origin of the products. Four-H is striving to help alleviate these situations through project work, consumer eduction programs, and special programs which encourage youth who are interested in science and technology to take a look at agricultural sciences as a career option.

During 1989, young people in N.C. had the opportunity to participate in over 64,000 4-H agriculture related projects. Embryology is just one of the many projects that have been used in school systems across the state. Last year over 21,00 students learned about biological life cycles of poultry and the responsibility that goes along with caring for their chicks in this project. Livestock production and judging are two other project areas that teach responsibility and also help develop business sense in purchasing and record keeping; and instill essential decision making a speaking skills. In the past years, the population shift from a rural to an urban environment has created new interests for the agriculture consumer. Citizens are demanding more educational programs on urban horticulture, landscape development and maintenance. Four-H horticulture programs are designed to teach young people quality administration of landscaping, artistic arrangement, creative urban horticultural production as well as the marketing and utilization of commodity products in food preparation. These are just a few examples of the project and consumer education opportunities 4-H offers young people to broaden their perspective of the role agriculture plays in our daily life.

Because the need for communication, financial, educational, scientific and marketing specialists in the agriculture area, the National 4-H Focus on The Future Program has been developed to let young people explore agriculture career possibilities. This allows 4-H'ers an opportunity to realize that agriculture is more than production alone. Focus on The Future exposes them to the 48,000 positions available in the agriculture related professions, including scientists, specialists, educators, and marketing persons, who all needed to support production agriculture. This program helps youth select the appropriate high school courses that will prepare them for the rigors of college. Recognizing that course work is not enough, the Farm Family Stability Program was developed to give young people the opportunity to explore a variety of careers through hands on experiences and a mentorship. They visit various agriculture businesses to learn about different careers, what these careers require, and the rewards that they will yield. This exposure to the " real world" helps them realize the importance of their position in society and gives them the chance to evaluate their possible career choices. I think the best way to describe the program is through the words of one of the participants:

> *" Through my Farm Family Stability experiences, I was able to better understand the world diversification. I feel I am more concerned about the future of agriculture and the problems that lie ahead. Before this program, I relied solely on books, magazines, and friends for agriculture information to help me with my career choice. Now that I have had first-hand experience with agriculture professionals, I no longer rely on hearsay in making decisions about my career."*

The participant's parents have also been very positive about the program. One parent in particular was asked what she would say to a possible donor for the program and she responded:

> *" These young people are our future and the ones that stay on the farm will feed the country. Fewer and fewer young people are returning to the farm, Therefore this country could face a food shortage. The Farm Family Stability Program helps young people become better managers and see the different aspects of agriculture."*

But 4-H does far more than prepare youth for careers in selected fields of study. It helps youth develop a commitment to their communities, helping them value service to others as a responsibility of all citizens. By providing youth with communication skills, 4-H helps our leaders of tomorrow develop the poise and self confidence needed to articulate personal views and positions. Perhaps more than anything else, 4-H develops leadership skills, by allowing youth to explore creative styles with which to conduct meetings, persuade others to become involved, and represent peers on issues that impact young people today. Exposure to a global economy occurs in 4-H by interaction with youth from other countries through international travel.

This next farm bill is vital to the people of this nation and education should be an integral part of this bill. It is true that as the number of farmers decreases the burden on those who remain to provide a quality food supply of sufficient quantity will increase. These farmers will need a competent support staff of agriculturalists to help them meet the demands of a safe food supply for America! This will only be accomplished through improved educational opportunities for youth. The land grant university systems and the Agricultural Extension Service give 4-H the vital information to not only educate the general public but the necessary resources and opportunities for the young people of North Carolina to grow and develop, in order to have a positive impact on our world future of agriculture and up hold the motto of 4-H "To Make The Best Better."

(Attachment follows:)

COMMITTED TO EXCELLENCE
NORTH CAROLINA 4-H
1989 STATISTICAL PROFILE

4-H Participants 1989 (duplications eliminated)	**160,538**
Other youth participating in 4-H programs	**43,704**
Total youth worked with	**204,242**
***4-H members enrolled in organized clubs**	**35,144**
***4-H youth enrolled in special interest**	**68,716**
***4-H youth enrolled in school enrichment programs**	**85,351**

Where 4-H Participants Live

Farms	12,823	8.0%
Towns with less than 10,000 population and open country	96,340	60.0%
Towns and cities with 10,000-50,000 population	25,866	16.1%
Suburbs and cities with more than 50,000 population	25,509	15.9%

Boy - Girl Ratios

Girls	86,616	54.0%
Boys	73,922	46.0%

Age of Participants

Pre-teen (11 and under)	104,670	65.1%
Early teens (12-14)	43,717	27.3%
Middle and upper teens (15 and over)	12,151	7.6%

Of the total number of youth in 4-H, 34% are from minority racial-ethnic groups.

4-H Clubs, Special Interest Groups, and School Enrichment Units: 6,554

4-H Learning Experiences	502,033
*Animal Science and Poultry	72,646
*Plant Science and Crops	20,166
*Mechanical Sciences	49,348
*Natural Resources	71,242
*Economics, Jobs and Carers	7,176
*Energy	14,001
*Health and Safety	58,731
*Food and Nutrition	35,742
*Individual and Family Resources	35,130
*Communications	10,196
*Leisure Education	50,802
*Citizenship	29,950
*Introductory	24,932

4-H Volunteer Leaders - Adults and Youth	28,399
4-H Camp Participation (summer camp, day camps, and retreats)	12,769

***Includes youth enrolled in more than one activity**

(Additional attachments are held in the committee files.)

Statement of the
NORTH CAROLINA FARM BUREAU
Before The
U. S. HOUSE AGRICULTURE COMMITTEE
Wingate College

November 13, 1989

Mr. Chairman, Members of the House Agriculture Committee and Congressman Hefner, I am Chester Lowder, a dairy farmer in Stanly County and a member of the Executive Committee of the North Carolina Farm Bureau. On behalf of the Farm Bureau members, I express appreciation to you, Congressman Hefner, for requesting this hearing in North Carolina's Eighth Congressional District.

To you, Mr. Chairman, other members of the Committee and Congressional Staff, we thank you for taking the time and showing the interest in North Carolina's agriculture to hold this hearing in Wingate today. We recognize the pressures on each of you for your time and attention and realize that your presence here today is indicative of concerns for the agricultural sector of the U.S. economy.

This Committee has already begun receiving input and suggestions to be considered and incorporated in the Omnibus Farm Bill next year. There are varied views as to the provisions which that legislation should contain. Many sectors of our economy and interest groups are participating in the process you allow for input into your considerations. All such groups are well intentioned, no doubt. However, we are concerned that some groups are not close enough to farming to be able to fairly evaluate the impacts of certain provisions they espouse.

Food Security Act of 1985

From the Farm Bureau's perspective, the Food Security Act of 1985 has been relatively successful in achieving the basic goals set forth during its consideration. When the 1985 Act was being developed, U.S. farmers were confronted with large surpluses and uncompetitive prices for major export commodities. Those conditions were the result of weaknesses in the global economy, an inordinately strong dollar, and the export subsidy policies of some competing nations. Our exports and share of markets had fallen rather dramatically during the period following enactment of the 1981 Farm Bill.

During that same period, the farm economy experienced its most dramatic downturn in fifty (50) years leading some to describe it as a period equivalent to the great depression of the 1930's. Farm equity which reached a high of $922.9 billion in 1980 declined by 29 percent to $654.7 billion in 1985. Farm debt increased from $178.7 billion in 1980 to $206.5 at excessively high interest rates by 1983. (Source: Economic Indicators of the Farm Sector - National Financial Summary 1988, Table 1). Farm bankruptcies and foreclosures were being widely reported on the evening news and daily newspapers.

Although the aggregate numbers have shown some improvement over the past three years (farm equity has improved by about nine percent; farm debt has declined by twenty-eight percent), a number of farmers continue to struggle with the burden of heavy debt. Many of those have seen their difficult situation compounded by adverse weather conditions which have been prevalent and widespread during the decade of the 1980's.

The weather factor, a planned devaluation of the U.S. dollar in relationship to monies of several developed economies, the lowering of loan rates for major export commodities, the Export Enhancement Program, Targeted Export Assistance, combined with Marketing Loan Programs for some commodities has helped to:

(a) Reduce excessive stockpiles;
(b) Increase both volume and value of exports;
(c) Improve net farm income.

Those were the major objectives of the Food Security Act.

Mr. Chairman, achieving those objectives did not come to pass without substantial funding requirements from the U.S. Treasury. The Food Security Act was expected to carry a considerable price tag and it has; but it was a necessary expenditure in order to reverse the trend which had been developing under the 1977 and 1981 Farm Bills.

We believe it will continue to be essential that government funding be substantially involved in agriculture into the decade of the 90's and until the political, economic and trade differences between the trading nations of the world are resolved. We recognize that given the budget constraints, that level of participation will not likely continue in the $10-$15 billion range for the next several years. I would point out, however, that the goal of improving net farm income would have gone down the tube without the outlays of the Treasury over the past four years.

Further, I would suggest that every farmer would prefer to be able to make a livelihood without government's financial participation, but such is not possible given the economics of our markets at home and abroad. The free market so frequently espoused is simply not that benevolent.

At this point in time, it may be unfortunate that a new farm bill has to be developed. There are a number of forces outside the provisions of the farm bill which will influence what we in the United States can do in the coming years. Among those forces are the outcome or final agreements reached in the negotiations of the Uruguay Rounds; the final determinations of food safety standards; environmental and water quality issues; and economic stability and growth at home and abroad.

Uncertainties concerning food safety and the issues surrounding the environment and water quality leaves us less than clear on what agriculture's productive capabilities may be in the future.

Low Input/Sustainable Agriculture (LISA) has become a new buzz word in many circles. But what does it really mean in the final analysis? To some, it is perceived as food and fiber produced without the use of man-made chemicals or fertilizers. To others, it means more moderation in the use of such products while to others, it means limiting the use of chemicals and fertilizers only to the extent necessary to maintain economically viable production levels. Candidly, we believe the economically lean years of the 1980's combined with the heightened awareness of the risks to ourselves, our families, and our resources have made farmers better stewards and managers of the inputs used in producing food and fiber.

Farmers already have adopted Integrated Pest Management programs for many crops which has reduced the quantity of pesticides used. I.P.M. programs for additional crops are being developed and will be adapted into farming operations. Additionally, the reregistration process underway under the provisions of the Federal Insecticide, Fungicide and Rodenticide Act has eliminated a number of products and will likely remove even more from the market in this country.

The impact of the loss of the products if really needed in the future will be recorded in future history. It may be that through adoption of the products of biotechnology, we can develop an agriculture that is less dependent on traditional additives, chemicals and fertilizers while maintaining productivity at economically viable levels. I would simply make the point that it costs the same to plant, cultivate and harvest an acre of corn yielding fifty (50) bushels as it does the same acre yielding one hundred (100) bushels. The difference is that it costs twice as much per bushel and bushels are what we sell.

Should the LISA concepts become mandated in the farm bill or by other legislative action, and assuming that our productive capability per unit will be somewhat reduced, the next question to emerge will be -- Do we have to reclaim some of the land placed in the Conservation Reserve Program and other conserving uses? What will be the impact on our competitiveness in the marketplace? What will be the impact on consumers? What will be the impact on agriculture's infrastructure? Until the answers to these questions become more clearly defined, we urge that you refrain from mandating such concept. It would appear more appropriate to provide for additional research and demonstration projects on a fairly widespread basis across this county. That would be advantageous to both farmers and consumers.

At this point in time, Mr. Chairman, the North Carolina Farm Bureau members are in the process of formulating policy positions of the organization for next year. Those will be adopted during the annual meeting in early December. Following that meeting, we will provide this Committee more specific recommendations for your consideration.

In the interim, there are some areas of concern which we point out for your consideration. Among them are:

1. The need to preserve and utilize Marketing Order programs which assist in orderly marketing of agricultural products to avoid undue price disruptions;

2. The formula to determine the price support adjustor for dairy may need more flexibility; i.e., a percentage of production rather than a specific quantity set forth in law.

3. Continuation of the current peanut program with minimal fine-tuning;

4. Continuing the tobacco program as separate legislation;

5. Continuation of loan programs, target prices, and income supports through deficiency payments and/or other mechanisms;

6. Balanced consideration for sectors of production agriculture not participating in farm programs;

7. How farmers can deal with natural disasters such as Hurricane Hugo, droughts, freezes, etc. Mr. Chairman, during the course of this year, North Carolina has experienced six tornados in addition to Hugo. The damage done to farm property, crops, and timber has been quite extensive. Assistance to the farm sector in trying to clean up, replace, and recover from these disasters has proven to be quite limited, especially from governmental agencies such as the Small Business Administration, Farmers Home Administration, and the Federal Emergency Management Agency.

8. The Conservation Compliance provisions of Title XII of the '85 Act have already caused significant problems for many farmers in this state. Further restrictions under that Title will magnify the problem.

Thank you.

STATEMENT
OF
THE NORTH CAROLINA STATE GRANGE
ON
1990 FARM BILL
PRESENTED BY
JOHN SUTHER, EXECUTIVE COMMITTEE MEMBER
PUBLIC HEARING, WINGATE COLLEGE
November 13, 1989

Chairman de la Garza, Representative Hefner, and distinguished members of the House Agriculture Committee I am John Suther, member of the North Carolina State Grange Executive Committee from the St. John's Community in Cabarrus County. I appear today on behalf of the North Carolina State Grange. The Grange is America's first National general farm organization with our state office in Greensboro and our National Office in Washington, D. C.

The Grange, as a general farm organization, has as members, farmers of all sizes, seedsmen, processors and consumers. Our membership is as diverse as the rural countryside.

North Carolina is hosting, at this very moment, the 123rd Annual Session of the National Grange. That meeting is considering many of the same subjects that you are now considering, how to improve agriculture and rural America. The policy that will be developed by our Grange leaders, based on resolutions from communities all over the country, will be conveyed to you in the very near future.

There are several areas I would like to speak to today:

First, is RURAL DEVELOPMENT. The Grange has a long history of interest and support of measures to improve rural communities. According to information on U. S. population, approximately 25% of our citizens live in rural areas today. Less than 9% of that rural population are actually engaged in farming. The image of rural America as being agricultural America is no longer true. Of the less than 10% of our rural population who depend on agriculture for their livelihood, only about 1/4 of that group actually receive the majority of their family income from farming. North Carolina, and this Congressional District, has thousands of "farmers" who must depend on non-farm income to support their families. Rural Development programs that address infrastructure and economy needs are necessary to restore and maintain strong communities and people.

Unemployment continues to run higher in rural communities where the average educational levels are less than metropolitan areas. The rebirth of our rural communities in the 1970s, triggered by a strong farm economy, has dwindled in the 80s, on the heels of a decline in our farm economy. A declining quality of life in rural communities is a direct result of the farm depression. William D. Hefferman, Professor of Rural Sociology at the University of Missouri stated, "The structure of agriculture has a bearing on the structure, the make up and vitality of the rural community. The retention of well run, owner operated, family size farms not only brings life to the community but it enhances local tax revenues, employment and strengthens U. S. agriculture."

Rural communities are facing a new problem, encroachment of the urban or suburban communities. Here in Union County, we are seeing new residential developments coming closer and closer to livestock and poultry operations. We know that at some time, the pressure to stop a farming operation, because of odor or flies will be made. I realize that zoning regulations come from the counties but the Grange is concerned. The clean water concerns that we read about may be a direct result of this increased population on once rural land, when septic or sewer systems are not properly installed or maintained.

The 1990 Farm Bill should contain a strong rural development emphases.

Rural people must travel further to buy goods and services; rural people must travel further for their non-farm employment. The Grange is very concerned about Congressional consideration of using a motor fuel tax for deficit reduction. Rural people traditionally have a lower per capita income than do urban citizens, and thus do not need additional gasoline taxes for deficit reduction.

Help us fight this additional tax burden by standing against fuel taxes being used to reduce the deficit.

Another area of concern is the so called "Farm Problem". We all agree there is no single farm problem. The problems that face farmers are complex, inter-related and even international in nature.

Recognizing that there is not a single farm problem, then we must conclude that it will take a comprehensive piece of legislation to address the problems. The Grange believes there should be regional variances in the law to recognize regional needs. The problems of conservation practices or milk surpluses or water standards may differ greatly in the 8th District of North Carolina. What is needed is a comprehensive set of policies, based on an understanding of the forces and pressures affecting U. S. agriculture. The new farm legislation must address and understand these differences. The new farm bill must help restore equity, not only in the various regions of the U. S., it must move towards equity in world markets.

About 80% of the products produced on American farms are used by Americans; only about 20% go into the export markets. According to USDA reports, the index of total food consumption grew by only 4/10s of 1% per year between 1970 and 1985. Most Americans already have amble amounts of food available to them, so increases in per capita consumption will be very slow. The population of our country has slowed dramatically. Even the most optimistic population projections anticipate an annual increase of about 1% per year. The combination of slow growth and slow increases in per capita consumption mean that additional efforts must be made with our export markets for our farm produce.

In a recent meeting, the State Grange was asked why do farmers continue to produce surplus crops? Our State Master Caldwell replied that if the American farmer knew what commodities he could produce that were not already in abundance, he was certain that many farmers would change to those commodities. He continued that once those new markets were developed, with the technology and growing ability of our farmers, it would not be long before production would exceed demand. The U. S. Congress Office of Technology and Assessment (OTA) estimates that the impact of new technology on food production will average at least 1.2% annually over the next twelve years.

The fact is, fewer farm families are able to produce more food and fiber than our domestic market can consume.

The fact is, America is a blessed nation to have a problem of surplus rather than the problem of too little food for our people. The farm problem is real to the farmer. The general public needs to become more aware of the value of dollars spent on agriculture. We are the best fed nation in the world and at the lowest percent of disposable income.

A strong section in the 90 Farm bill must address the need for strengthening exports. The Grange continues to call for freer and fairer world trade. The Grange supported passage of the Omnibus Trade Bill. The Grange has called for trade legislation that will "deal forcibly with unfair barriers to our exports". The Grange supports open foreign markets without restricting imports. Our farmers can compete on the world markets; we have quality and reliability, because of the vast farm areas across this great nation. The 90 Farm bill must keep farming strong.

The Grange opposes protectionists legislation. The real opportunities for increased agricultural product sales comes from strengthening our export programs. We are encouraged by negotiations that are scheduled to begin next month between U. S. and the Soviet Union for a long term grain agreement. The news from Berlin is almost beyond belief; the wall is coming down! If this can happen, so can open and fair access to world markets. The Grange continues to support the Export Enhancement Program unless and until the European Common Market and other restricted markets phase out their agricultural export subsidies. Tobacco Associates has used the export program to increase our sales of tobacco. Those gains would not have been possible without negotiations to open those markets. We must continue to negotiate for open markets; American agriculture is ready to meet the challenge and the American consumer will benefit from the open market concept.

The Grange would like to see Farm Programs TARGET benefits to the small to medium size farms. By targeting the benefits, advantages that large farmers have in their ability to bid for land, labor and capital could be reduced. Targeting will help maintain the vital "critical mass" of agricultural economic activity in rural America.

If we really want to maintain an agricultural presence in rural communities all across this country, the 1990 Farm Bill must direct benefits to the middle size farmer. The Grange endorsed the Farm Program Payment Integrity Act designed to help eliminate the abuses of large farm operators who circumvent farm program payment limitation laws.

In addition to targeting, the Grange supports a Market Loan Program that will allow farmers to repay loans based on the market price of their commodity at the time of repayment. A well designed marketing loan program could reduce the need for supply management programs that have received so much adverse publicity. A market loan program consists of:

(1) A recourse loan based on the national average cost of production;

(2) A dollar limit would be placed on the total amount that any one farmer could place under the marketing loan program. The farmer could put the remainder of his crop, that outside of the program, under a regular recourse loan.

(3) The market loan program supported by the Grange would eliminate target prices and deficiency payments and acreage diversion programs would be phased out with a production adjustment program developed that would be based on units of production (pounds, bushels or bales) rather than acres of land required to be idle. Finally, the Grange market loan program would use crop history on a per farm basis.

Another area that needs addressing in the 1990 Farm Bill centers around the ENVIRONMENT. We are pleased that the Administration has formed a high level inter-agency food safety work group to consider legislation to define "unreasonable risk levels". We have heard Commissioner Graham state that we should not "out legislate research". The Grange calls for research that will help restore public confidence in our food supply. Ways must be found to more quickly ban products warranting removal. Procedures must be made to speed up the process of registration of new, improved products. The farmer wants safe chemicals; the consumer wants to be assured of a safe food supply; the 1990 Farm Bill can help establish processes to deal with this concern.

The Grange has been pleased with the stability of farm income that our integrated poultry operations have brought to this district, but we also have concerns about the intergrated system. Our concerns grow from decisions that are made in corporate Board rooms that can put the production farmer out of business, and in some cases, off of his land. The decision by Holly Farms last year to terminate contracts with some 52 growers because of an apparent loss of market share was an ill designed approach to the problem, in the opinion of Grange. The Grange would like to see a contract between intergrator and producer that would protect the rights of both parties. Producers should not be terminated except for "cause", and the integrator must be able to regulate his business. A solution to the problem felt by many growers must be addressed and solved.

If market share is lost, all of the producers should share in those cut backs. The Grange believes all the growers would approve of this approach, rather than seeing their friend put out of business. If a producer is not complying with regulations of the intergrator, these should be documented and communicated to the producer before action is taken. We understand that the integrator cannot provide a "no Cut" contract, the Grange would like to see a contract that protected all parties equally.

In another, related matter to the poultry industry, the Grange would like to see a program developed, similar to our Federal Crop Insurance, that would insure the producer in the event of the loss of production through disease, or other natural disaster. Hurricane Hugo has pointed out to us how quickly income can be lost.

The Grange supports the Federal Crop Program. Many of our members are coming to the position that Federal Crop should be the basic disaster coverage with a "surplus" disaster program applying over those insured benefits. FCIC would be like a deductible to any Federal Disaster programs that are needed in the future. Let's see if the FCIC can be expanded for poultry and livestock operations, the rates more accurately reflect regional differences. FCIC should be a strong tool that farmers want to use.

The N. C. State Grange appreciates this opportunity to share with this distinguished committee our position on a variety of issues that will be considered in the 1990 Farm Bill. We will be in touch with you following our National Convention and if this Committee has any questions or wants clarification on any of our position, please contact our State Grange Office in Greensboro or our National Office in Washington, D. C.

TESTIMONY OF BENNY BUNTING, "PRESIDENT OF THE SOUTHEASTERN UNITED FARMERS ORGANIZATION," BEFORE THE HOUSE OF REPRESENTATIVES, AGRICULTURE COMMITTEE FIELD HEARING AT WINGATE COLLEGE ON NOVEMBER 13, 1989.

We attend this field hearing with purpose and determination because back at their homes fellow farmers and ranchers across your great nation are fighting for personal and community survival. The instructions I have been given is to impress upon you the imperfections, misinterpretations, and misapplication of the 1985 Food Security Act and more recently the Agricultural Credit Act of 1987. Our unified goal is to have a "1990 Farm Bill" that assures food security for the nation, encourages sustainable agricultural practices and family farm survival.

I testify here today as President of the United Farmers Organization (UFO), an organization representing the two Carolinas and working to strengthen the family farm system of agriculture. We have worked with members of congress to pass legislation, commented on regulations, worked with farmers to complete their FHA packets, and now are working through the appeals process with them.

Mr. Chairman we want to welcome you and the other House Agriculture Committee Members to North Carolina and commend all or you for your commitment to agriculture. Our appreciation also to Congressman Hefner for hosting and facilitating this hearing. The UFO was asked to key our remarks to credit issues. We want to work with you to see that the 1990 Farm Bill does work and helps farmers stay on their land.

Let's keep in mind at this time the tremendous loss of farmers during the life of the 1985 Food Security Act. The mass elimination of family farmers surely must alert us that changes are needed. Increase degradation of ground water supplies and the environment suggests a need for innovative movement toward sustainable farming practices. This change must come through inspired leaders who do not sit idly by and await mass hysteria in concern for food and water safety. As anticipation of a new "Farm Bill" rapidly approaches lets remain educated to changes in agriculture. Even with the vivid rememberance of last years drought UFO members are aware that winning our constant dual with nature provides a bountiful harvest only if we have been as vigorous and successful in our battle to cultivate changes in public policy.

DEBT RESTRUCTURING:

Of primary concern is the outcome of debt restructuring notices sent to farmers from FmHA. All farmers who meet the 45 day deadline for submission of their pockets were required to complete a Farm and Home plan. It is this information that we assumed would be put into the computerized DALR$ program to determine the outcome for the debt restructuring options under the 1987 Agriculture Credit Act. What we have discovered during the past few months from farmers around the Carolinas is that there are problems with the entire process, from the input figures being changed by FmHA employees without notification of the farmer, no access to the computer program to the assumptions by FmHA of the commodity prices and costs of production over the next five years. The commodity prices were issued in an early December Administrative Notice and have since been revised but still predict five year reductions in commodity prices. The source of our figures come from FmHA AN-1857 (1924) Exhibit A & B. I will use four commodities - corn, soybeans, broilers and turkeys for today's example based on the December 6, 1988 AN. A DALR$ program computer run figures many service options including deferrals for five years. The following calculations are to be used in a row crop farming operation - corn prices will drop 24.6% of 1988 average prices for 1990-1994. Soybean prices will drop 27.5% of 1988 for years 1990-1994.

Let's do a working example for Farmer X with a restructuring request to FmHA. The 1988 grows income from corn was $80,000., from beans was $80,000, for a total of $160,000. Estimated expenses to be 75% of gross income, operating expenses were $120,000. Farmer Y has a viable, feasible operation with $40,000 to pay family living and service their debt obligations - or do they? Let's feed this information into the DALR$ program and see what the deferral projections will be: income from corn - $60,320. and for beans $58,000. According to the FmHA AN expenses have climbed by 20.1% or 1988 figures resulting in expenses of $144,120. Consequently, past 1988 gross income is $118,320 and expenses are $144,120. A farming enterprise with a profit of $40,000 in 1988 is computerized into one that has losses of $25,800 per year (a net change of $65,800)! Now farmer X is only eligible for a net recovery buy out - an option without any FmHA financing. Does this comply with congresses directive to maintain as many farmers as possible?

Farmer Y owns a poultry farm. According to FmHA projections, broiler income will increase by 12.6% of 1988, prices for production years 1990-1994. Turkeys will increase by 43.8% of 1988 prices for production years 1990-1994. The farm 1988 gross income was $40,000 for broilers and $46,000 for turkeys. Enter this information into the DALR$ program and the projection will be broiler income $45,040 and turkey income at $66,148. The computer printout now shows that you have $25,188 additional income for debt servicing. How did Farmer Y manage this? The poultry farmers I know have not even had a [illegible]mal contract increase in over 3 years. Nonetheless [illegible]ir repayment schedule will increase to reflect this fictitious income.

The high number of net recovery buy out options being offered is no surprise when you look at these calculations. The use of these figures, which assumes reductions in farm program prices beyond the expiration of the current Farm Bill and ignores current market prices, is spelling disaster for every farmer having to run their future through the DALR$ program assumptions. A question for the committee is will the 1990 Farm Bill reflect such reduction in farm commodity prices? Surely the answer is no! If the answer is no how can you sit idly by and allow these calculations to be used.

Recently this committee received an inquiry regarding changes in the 1987 Agriculture Credit Act. One of the questions was "Would you support an amendment to limit loan restructuring with debt write-down to one per borrower? Something very important is missing here. The restructuring with write-down was discussed extensively through the legislative process and was committed to because it was always triggered when it was equal to or more cost effective for the government agency. That just seems to be good management. Surely Congressman English recognizes this from his heralded work noted in the report "Absence of Management: The Farmers Home Administrations Implementation of the Food Security Act of 1985." Also in the previous example of Farmer Y, he must accept the restructuring offer but you must know the income projections were not realistic and he would be forced to seek a second restructuring within 2 years. Much of the uproar is from published accounts of huge write-downs to individuals who do not and should never have been considered FmHA viable. That uproar is justified but does not excuse penalizing family farmers. Correct the absence of Management. The 87 Credit Act was long term and provided for other weather disasters and surveys in land values. To this question the UFO would recommend a resounding NO!

RECAPTURE:

Extending the net recovery buy-out recapture period from the present 2 years to 10 years. Would not be well received by borrowers. With a "buy-out" there is no longer an existing loan but an obligation not to sale for 2 years. Present recovery value was paid for the property. If the borrower is for 10 years going to be required to share any profits from a sale is the FmHA going to share in a loss of value, at time of sale, is less than "recovery buy-out" plus improvement expenses. A chapter 12 bankruptcy with a three year plan would be a much more practical approach for a borrower.

BANKRUPTCY:

The 87 Agriculture Credit Act offers a real alternative to chapter 12 bankruptcy. But it seems FmHA continues to lobby congressmen to amend the act in a manner that would put all restrictions back in the courts. Lets address a few of the issues briefly. Limit write-off's (even when most cost efficient.) Limit value must be equal to family farm bankruptcy.

Our UFO Farm Rescue workers were encouraged when we were informed a new DALR$ computer program would be used this fall. The improvement was to now permit the monthly difference between net recovery buy out and a feasible restructuring plan. This addition was necessary so borrowers could meet with their county supervisor amend their Farm and Home Plan and have a second DALR$ run. Buy in FmHA's "Borrower Training" Manuals were told they still would be allowed only one DALR$. No changes allowed. Appeal is the only option. This attitude and practice stone-walls the restructuring process and causes a log jam in the appeal pipe line.

LAND IN INVENTORY

There is a concern that first right of refusal for the expanded farmer owner groups has not been implemented properly. Any property in inventory January 6, 1988 should have had all potential former owners notified. Conservation easements should not be mandatory until after previous owners right of first refusal rights have expired. This is unclear from FmHA, so we need language that states this plainly. The 85 Food Security Act states the "option prices" for repurchase of inventory property cannot exceed its income producing ability if farmed. This brings us to:

APPRAISALS:

Appraisals using development value directly or as comparable sales should not be allowed. The appraisal figure is critical to debt restructuring and this should be at present use value.

In North and South Carolina we have seen abuse of the appraisal process. Comparable sales are used where Farm Credit Services was the successful bidder at their own sale. FCS bid what was owed against the property or the inflated value of their in house appraisal. This practice artificially inflates property value for comparable sale use.

The Agricultural Credit Act of 1987 did not, as many believe, eliminate the FmHA's authority to foreclose on delinquent borrowers. It did however take the madness out and set a precise procedure for the agency to follow. This ensures all restructuring opportunities for borrowers be exhausted before adverse action can take place. The act also had another provision prior to foreclosure actions. The provision states that FmHA final regulations be in place before any foreclosures are begun. This mandates all borrowers be judged by the identical regulations. FmHA has failed to abide by this provision. We are still operating under interim final regulation. Virtually 2 years after passage of the act which instructed the agency to proceed within 150 days. This agriculture committee should this day right now stop the FmHA from any illegal adverse actions until they see fit to abide by the Acts mandate for equal, uniform treatment of borrowers. Congress has not halted FmHA right to foreclose, the agencys on failure and "Absense of Management" has created this moritorium.

RIGHT TO SUE:

As you gentlemen of the committee are probably aware there is a split decision from the judicial system as to whether F.C. system. There is total disarray. Borrowers on the west coast can't sue, farmers in the upper mid-west can and we on the east coast speculate. This is mass confusion. Borrowers definately need the right of private action and a unified nation wide decision must come from this legislative body.

TAX LIABILITY:

A write down or write off in the restructuring process is of no value if the consequences is a tax liability. We definately need legislation to address the problem.

Good-faith requirements have been debated almost as much as the abortion issue, and is still a volatile issue.

In conclusion the UFO is thankful for your interest and eager to work with you in future discussions on credit issues and the any other part of the 1990 Farm Bill

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Testimony on Behalf of the

North Carolina Cattlemen's Association

regarding

the

House Hearing for 1990 Farm Bill

submitted by

Jack Shore

November 13, 1989

at

Wingate College

The North Carolina Cattlemen's Association is the spokesman for all segments of the beef cattle industry in North Carolina. The Association represents North Carolina producers who own approximately 900,000 cattle with an annual income of $175 - $200 million per year. Cattle producers are located from the mountains to the seashore in every county in North Carolina. The Association represents approximately 3,700 paying members.

Mr. Chairman, my name is Jack Shore and I am from Yadkinville. I am the current president of the North Carolina Cattlemen's Association representing approximately 3,700 members throughout North Carolina. The North Carolina Cattlemen's Association was organized in 1956 and during its existence has become one of the leading agricultural commodities in North Carolina.

The Association is affiliated with the National Cattlemen's Association. The Association has worked very closely with the National Live Stock and Meat Board, state breed associations, N. C. State University, N. C. Department of Agriculture and other agricultural groups in and outside of North Carolina.

I appreciate very much the opportunity to speak at this hearing and to represent the N. C. Cattlemen's Association. Our views concerning the 1990 Farm Bill are consistant with those of the National Cattlemen's Association.

During the development of the 1985 Farm Bill our position was that all of agriculture should be treated with fairness and no commodity should suffer from special provisions made for another segment of agriculture. Our position remains the same in the development of the 1990 Farm Bill. Just because a producer chooses a certain crop or a certain species of livestock should not afford him favoritism or relegate him to unfavorable treatment from a governmental program designed to assist agriculture. The program should represent fairness to all of agriculture.

The Beef Promotion and Research Program was authorized by the 1985 Farm Bill and permits the collection of $1.00 per head on all cattle sold. This is a self help program that is funding research, informing producers and promoting beef without the use of American tax dollars. The check-off program was approved by an overwhelming majority of the cattlemen in a national referendum. In North Carolina the approval was 95%. We believe the market should determine the price and level of production and not be influenced by governmental subsidies.

On the national scale, cattle, is a $35 billion industry and is the largest segment of American agriculture according to cash receipts. The economic well-being of the cattle industry is important to North Carolina agriculture and to the nation as a whole.

In our eyes, the 1985 Food Security Act has been a success. One of the keys to this accomplishment was the fact that Congress did not change the Act in mid-stream. By allowing the Act to mature, farmers could plan and implement management decisions without fear of Washington changing directions. We hope the 1990 farm bill follows the same direction.

Through the National Cattlemen's Association we plan to be actively involved in the development of the 1990 farm bill. Our primary areas of concern will be the grain, dairy, conservation, trade, and research titles. This is not to say other issues will not surface as the bill develops. We will work diligently with other agriculture groups to develop consensuses and coalitions in order to create a farm bill we all can be proud of.

The new grain policy idea of triple base is being aired as a way to provide program grain producers with flexibility in their planting decisions. Some proponents of the triple base plan would allow non-program crops to be grown on the third base. We question the fairness of allowing non-program crops to be planted on protected program crop base acres. This concern needs special review. What good would come out of helping one farmer at the expense of another? Grain policy, in any event, should continue to use market forces for price discovery.

Dairy policy will continue to concern us. At this point, there has been little talk of a new dairy whole herd buy-out and that is encouraging. Congress must continue to develop dairy laws that ensure accountability and low milk surpluses. The fear in the cattle industry is that if milk surpluses grow to unbearable amounts, the government will again have to slaughter dairy cows to remove the surplus. Cattlemen cannot idly stand by and allow dairy policy to be implemented that encourages overproduction and burdensome milk surpluses.

The Conservation title of the 1990 farm bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input into the title from environmental groups to other committees in Congress.

We are very concerned about the environment but we question the methods used to address the situation. Cattlemen believe it is imperative to closely guard private property rights as Congress writes environmental laws. Farmers will depend on both of the Agriculture Committees to defend and protect private property rights.

The Conservation Reserve Program will certainly be reviewed and the questions of what to do with the land after the 10 year contract are bound to be asked. Our answer is: let the land return to commercial use. Do not restrict the use. We will oppose any extension of the CRP if the extension allows for any commercial use besides hunting. If payment of any kind is made to a CRP participant for extending a contract, then the no haying and grazing law must remain intact.

The National Cattlemen's Association's agriculture research priorities of the 1990 farm bill will focus on:

- addressing consumers' interest in food safety and human nutrition through the development and implementation of beef safety assurance programs and diet/health research;
- conservation of land, water and air resources;
- improving the efficiency of production, animal health and care, fabrication and merchandising of beef product;
- developing methods for true value termination in live cattle and wholesale/retail product.

It is our hope that implementation of these research results can be administered utilizing the concept of Integrated Resource Management (IRM). IRM programming will enable the industry to incorporate the above interdisciplinary research results into an effective management system that will promote environmental stability, market competitiveness and consumer acceptance.

Therefore, we ask that you work with NCA to achieve their research objectives by incorporating into the 1990 Farm Bill support for Integrated Resource Management and its interdisciplinary systems approach to problem solving.

Certainly, there will be new issues and provisions in the 1990 farm bill that have not surfaced.

I realize the complexity of your task and the pressures of developing this legislation. The Association requests that all segments of agriculture be treated with fairness. We do not seek favorable treatment; however, we do not wish to suffer loss by special treatment of others.

Mr. Chairman thank you for the opportunity to be here today.

Mr. Chairman, E. (Kika) de La Larza, Congressman Hefner, and other distinguished guest members of Committee and Staff. I would like to welcome you to North Carolina and Union County and thank you for your valuable time. I would especially like to thank Congressman Hefner for bringing this hearing to Union County where Agriculture plays such an important part in this counties economy.

I want to begin by giving you some background on the economic importance of the Turkey Industry in the State of North Carolina. Union County represents the largest concentration of turkey production in the United States, growing 15 million birds annually with a value of 34 million dollars. This amount contributes to a state turkey industry which is #1 in the nation with a annual production of 50-million birds representing over 600 million dollars income to North Carolina farms.

I am Sam Starnes, owner and operator of Circle S Ranch. Circle S Ranch commenced operation in 1947 by my father S. Oren Starnes. Since it's beginnings this family farm has grown from an annual production of 20,000 turkeys to the present production of 3,000,000 turkeys in 1989. We also farm over 1500 acres of land raising corn, soybeans, and wheat. With our Feed Mill we produce over 200,000 Tons of feed annually.

As you can see we have grown quite a bit over the last 40 years. I am very concerned about the statues of the family farm. Over the years it has been increasingly difficult to make a living as a small farmer. With the rising prices of farm land and production cost it is almost impossible to remain on a small scale. Tax laws and legislative acts must keep this in mind in order for the family business to survive. The forced conversion from cash to accrual accounting on family owned businesses with gross sales of over $25 million is taken tax deferrals away. This will weaken and burden us to the point where we can not compete with larger agri-businesses. This is what they want to happen! The heritage of the family farm is the backbone of our nation. The American dream of the free enterprise system, to build a business and pass it down from generation to generation is slowly disappearing. If you don't protect this, a few large companies will be controlling the food cost of our nation.

In the beginning the Farmers Home Administration was set up to assist the farmer who had the willingness and the ability to farm to get the necessary start. I could give you example after example where the FHA system has worked. Over the years the FHA has not monitored its finances well. It has allowed bad management of itself, and bad management of farmers, to cause the system to penalize the farmer who has done a good job, and has paid his bills. Then when you have a disaster such as Hurricane Hugo and have substantial losses of uninsured birds and clean up cost there was no federal help available to even begin to recover our losses. Even though my father starting farming with a 100% FHA loan I feel that the whole Farmers Administration needs to be looked into with much stricter guidelines.

Much of the success of the farm is due to the information provided through the research developed, through the Land Grant System. Agriculture Production based on sound research is directly responsible for this nations position as a world leader in Agriculture. The U.S. was once the pioneer in developing new methods in production. This has dwindled in response to government cutbacks and budget reduction. Animal research budgets have not kept pace with current research cost and many needed projects go unfunded. There is not enough incentive for our people who wish to make a career in animal research. We must provide the monetary incentive with grants thus supplying a continued influx of research and knowledge.

Today the American farmer is trying to lower his input of herbicides and pesticides, but we must have some of them to be able to produce grains at a cost effective price. Today there is a great concern about our environment and animal rights. We agree that we should be concerned. The L.I.S.A. program, came out of groups of people who are trying to develop legislation to eliminate practices and products without having applied any research. They are basing their claims out of fear and emotion. If this happens grain production will fall and cost will soar to the extent to where we can not put food on the table at a price the consumer can afford. We are in a world market, countries are competing with our meat and grain markets. If the United States wants to remain competitive we must let sound research guild us in the production of our products such as meat and crops.

The Food Security Act of 1985, seems to be working, grain supplies and prices seem to be more stable. Programs for the land and farmers seem to have less chance to be abused.

Thank you for taking your time and making yourselves available to the farmers of Union County.

Presented by: Allan Baucom, Vice President
North Carolina Pork Producers Association

Mr. Chairman and Members of the Committee:

I want to commend you for conducting this field hearing of the House Agriculture Committee in the great state of North Carolina. The state is an extremely diverse agricultural state, and I am especially proud of the advances we have made in the pork industry in North Carolina. We market approximately 4,000,000 hogs annually, with Duplin and Sampson counties being two of the largest pork producing counties in the country.

I will try to keep my testimony brief and focus on just a few key issues. But first I want to congratulate the members of the committee for their fine work in developing and implementing the 1985 Farm Bill. Overall, the last four to five years have been positive for the pork industry. I know that the droughts of 1988 and 1989 have made for some difficult issues with the emergency feed programs. However, we are optimistic that ASCS will make appropriate modifications in emergency feed assistance programs and make water assistance more available to pork producers.

Our top priority is now to look ahead to the 1990 Farm Bill. This morning. I want to specifically talk about trade initiatives, the commodity distribution program, and groundwater.

Trade Policy

The market forces of supply and demand would function well in the U.S. domestic context if left alone. However, that is not necessarily the case in the international export market where foreign producers are often subsidized. The U.S. government needs to intervene to offset unfair foreign marketing practices, rules or subsidies. The federal government should expand foreign market development efforts and assist in funding agricultural organizations in a fashion not possible by individual producers. This federal support is needed to assist producers becasue they lack governmental authority and cannot readily act cooperatively.

We must also assess our market in terms of a world economy because of heightened international competition and potentially different global trade rules after the Uruguay Round of the General Agreement on Tariffs and Trade. Although American pork producers only export slightly above 1 percent of their production, we are optimistic that the right trade policy will provide new opportunities for our products overseas.

Specifically, programs such as the Targeted Export Assistance (TEA) Program provided $1.8 million in 1988 and approximately $2.5 million in 1989 for pork-specific promotions. These TEA investments took U.S. pork to new markets in Japan, Hong Kong, Singapore, among others.

The Export Enhancement program was not used to respond to unfair trade practices on pork. However, we hope that we can design export programs in the 1990 Farm Bill that will provide us an opportunity to be more responsive to trade-distorting practices of our foreign competitors.

A new "value-added" export program would help further our industry by affording ws the opportunity to sell more pork competetively in overseas markets. U.S. sales of end-products that require little or no additional processing for consumption accounted for only 5 percent of world agricultural trade in 1987.

Although one-fourth of U.S. agriculture exports fall into this end-product category, the U.S. remains a small player in this lucrative $134 billion dollar international market.

In wake of recent developments in Poland and a subsequent need for food aid, we have been active in pursuing trade programs to include pork bellies in any food aid package. Our efforts to ship pork bellies to Poland have pointed out a need to tke a second look at Public Law 480 and other food aid programs that are designed to use surplus commodities.

The total value of pork and related by-product exports increased to $382.5 million in 1988. However, in value terms the U.S.

remains a net importer of pork, with the value of imported pork at nearly $934 million last year. Over one-half of our imports came from Canada, where pork producers received federal and provincial government subsidies in excess of $20 per animal during the last year. The producers are seriously concerned about these unfair subsidies fueling foreign imports of pork. In addition, we are seeking further assurances that pork imports meet the same health and sanitation standards that are required of domestically produced pork.

On the export side, U.S. producers are undaunted. Pork exports have a positive impact on slaughter hogs--in 1988, exports helped prices $0.90 per hundredweight. Moreover, 12.2 million bushels of corn and 3.1 million bushels of soybeans were exported through pork in 1988. Exports of pork contributed to domestic soybean and corn use and this helped support farm incomes. We are optimistic about the opportunities to increase exports of pork. Yet, we recognize that the rest of the world has also learned about the tremendous economic benefits of marketing grain through hogs.

Commodity Distribution Programs

We are strongly supportive of the U.S. Department of Agriculture's Commodity Distribution Program. This program has benefited American agriculture since its inception, by successfully stabilizing commodity markets, while supplying much-needed food to the school lunch program. The Commodity Distribution Program for non-price support commodities is the only program that the Secretary of Agriculture can use to make volume purchases of commodities to stabilize weak markets. USDA has used its program in times of emergency, such as during the major droughts of 1988 and 1989 when pork prices depressed.

Total donated pork purchased by USDA in fiscal 1989 amounted to 106 million pounds valued at $117.6 million. The Commodity distribution Program was extremely effective in providing relief to the pork industry during the drought. Pork prices have been depressed for more than a year and USDA was able to take several actions to alleviate the surplus. By purchasing ground and canned pork in large quantities and frozen hams in somewhat lesser amounts, USDA was able to raise market prices while at the same time providing increased quantites of highly nutritious products to schools and other outlets.

Pork has also made a significan contribution to food aid efforts over the last year. Because canned pork has a long shelf life, and it is easily transported, USDA was able to quickly draw up on existing supplies to provide the products to the victims of Hurricane Hugo in South Carolina and the Virgin Islands.

Groundwater

We recognize that future agricultural productivity in this country depends upon the continued availability of an adequate supply of groundwater and fertile crop land. It is in the long-term interest of agriculture not to exhaust these resources for short-term profit.

Water quality is an important issue to producers both as domestic consumers and agricultural users. We pledge our support to the committee to address groundwater quality concerns. We believe that there are tremendous opportunities to increase the amount of information available to our producers and to reduce the impact of groundwater pollution on human health.

Clearly, there is a need for an accelerated program of technical, educational and financial assistance at the local level to promote development and implementation of best management practices. These efforts will correct and reduce degradation of water supplies from agricultural activities. More technical assistance should be delivered through the federal, state and local cooperative approach that has proved so effective in conservation and erosion control programs.

Specifically, we believe that we can address many of the contamination threats to groundwater through the help of the Extension Service and Soil Conservation Service (SCS) personnel.

To provide accelerated technical assistance to farmers, the government could assign additional SCS technical staff to local field offices. The Extension Service could also deliver a broad-based education and outreach program on water quality. This program could increase farmers' awareness of the impact agricultural activities mayb have on our water and provide information on effective practices to protect water quality.

In addition, the Agriculture Research Service and the Cooperative State Research Service can help develop an accelerated program of research on water quality. Their studies could find the best methods of controlling and reducing contamination of water supplies. Of course, we also need options, such as conservation reserve-type programs for situations where there is extreme water quality degradation.

The U.S. Department of Agriculture can play the lead role in coordinating and expanding existing programs to address many of the contamination threats to groundwater. USDA will need to develop a system that can accurately assess the precise nature of the relationship between agricultural activities and groundwater quality. It should also develop and facilitate the adoption of production management strategies that will prevent groundwater contamination. Through a cooperative effort, USDA and farmers together will not only protect, but improve the nation's most basic resource--water.

Grain Programs

Because the 1985 Farm Bill has worked well in stabilizing U.S. agriculture, we encourage you to continue its general direction in the 1990 Farm Bill. The key to future farm programs is that they continue to be market-oriented. We would support minor adjustments in price support programs, such as more flexibility of planting and other similar changes. New flexibility provisions should not only be responsive to market signals, but encourage good rotation practices that are agronomically and environmentally sound.

Conclusion

The 1980s have brought dramatic adjustments to agriculture here and abroad. The 1990s are likely to bring additional changes with the world economy being more interdependent than ever.

Biotechnology, environmental concerns, and more sophisticated foreign competition point to a whole different horizon of change. Therefore, we must stand ready for new directions for farm and trade policy. The North Carolina Pork Producers Association supports you in your efforts to tackle these new challenges.

C. S. Brooks

Dairyman

I am concerned about dairy farms going out of business. According to NC Milk Comission reports, in 1979 there were 1,301 dairies in North Carolina. At the end of 1988 there were 913 dairies. By September, 1989, the number of dairies had dropped to 858. However the average pounds of milk per producer is up considerably. As I prepare this testimony I have three sale flyers on my desk pertaining to dairies going out of business in North Carolina. This trend cannot continue if we want North Carolina to produce the milk needed for our people. There are many reasons why dairies are going out of business and many of these same reasons are problems dairymen still in business must cope with. I will try to address a few of these.

Waste materials from a dairy pose a big problem for all of us. To dispose of this material is an expensive operation. Investment for equipment and machinery can run as high as $100,000 for a 200 to 300 cow dairy herd. At the same time, the life of much of this equipment is only a few years. There is also at the present time, a problem concerning the handling of the waste after it is spread on a field. Health authorities say it must be worked into the soil within twenty-four hours. Our conservation people are stressing sod planting or no-till to conserve soil and water, and our neighbors on every side are complaining about the odor from this waste. Weather conditions many times change management practices as to time and rate of waste used on land. At the present time there is a cost-share program just recently approved in North Carolina, to supplement farmers in properly handling waste. I think this is good but there are regional differences which make it difficult to comply with guidelines in all parts of the state or country. Further study might find it feasible to tie this into the sodbuster or swampbuster program or in some regions where it is required for waste to be incorporated into soil to use minimum tillage and still be treated as no-till for compliance.

The use of antibiotics is a really big problem. To comply with regulation, management on a dairy farm must constantly be on its toes. Only one mistake, with one cow, can cause the loss of a tank of milk. A dairyman cannot lose more than a couple of tanks of milk per year or he will be operating at a loss. In certain situations he could be responsible for a tanker load of milk if it becomes contaminated with antibiotics from his dairy. Sure, we realize this is important and we must comply with regulation, but there is a limit as to what an owner or manager can do on a 200 to 300 cow dairy farm. He must depend on someone in his labor force. Therefore proper drug labeling as is now required by federal regulation and proper storage of these drugs are good. Dairymen or management must follow precisely the recommendation of veterinarians to administer certain drugs as laymen. Being required to have a veterinarian to administer all drugs used on a dairy would not be economical. Also, more research is needed to find more effective drugs or management techniques to reduce losses due to mastitis and breeding problems.

Responsible labor on a dairy is a must. When a worker is in the milking parlor he or she must be aware of the complete milking procedure, not only of preparing cows for milking but the exact methods used to handle cows on medication so there is no threat or chance of contaminating milk for the market. To find this kind of person is one of the dairyman's major problems. If he can find these kind of people, there is then the problem of being able to pay them a salary that is competative with that offered by other industry in the area. He must take into consideration the inconvenient hours dairying requires as well as the seven day work week and trying to schedule time off for them to spend with their families. Also, in Piedmont North Carolina, the unemployment rate is below the national average. In our county, Stanly, a recent study reported only 2.8% unemployed compared to the national figure of 5.3%. Most of these unemployed do not want a job or do not intend to work. Training someone to be a responsible worker takes time and patience and is expensive. Many times it takes six months to a year to train an interested person and often he becomes dissatisfied ans quits before that training time is completed. Fringe benefits are also very costly.

Today's dairyman must treat his dairy as a business and operate as such. The big difference here is that most businesses figure cost of production and investment, and sell their product so as to make a profit aand raise the price of product to take care of salary increases, cost of living increases, retirement, etc. The dairyman must figure his cost, and with the price he is offered, set by the buyer or someone else, hope he ends up with a profit.

Competition in today's market is another concern. The dairyman must realize that milk is competing with other drinks or products on the market today. The picture tells us that they are doing a better job marketing their product. We must do better. A small percentage is deducted each month from the milk check for advertising.

Processors also are making contributions to help promote dairy products. This is not enough. More and better advertisements are badly needed. More attractive gimmicks need to be used to get the attention of the younger people. Milk cartons have been basicly the same for twenty-five years. I checked four fast food places and found that the price of 1/2 pint of milk ranged from $.50 to $.59 for plain milk and chocolate milk was not available in two of the places. This is a minimum cost of $8.00 per gallon. We should be able to do better. This is higher than soft drinks which offer 12 ounces for about the same price. Also, children in school often have a choice between milk and soft drinks, and the commercials on radio and television encourage children to choose soft drinks which are not comparable in nutrition.

I think we should work to maintain a stable milk market so as to meet our needs without depending on milk from Minnesota and Wisconsin. It seems that when milk is shipped into our area it usually costs more than prices received by local producers. It seems to me that a justifiable premium could be offered to the dairyman so he could try to supply needed milk at critical times of the year.

At the present time I do not know of any dairyman in North Carolina sellinf milk under Federal Order. However, at the present time our milk commission is being taken to court by some who think that the commission has no right to price milk. If the commission loses, we will be at the mercy of processors who will buy milk as cheaply as they can. We may be forced to turn to Federal Order and still take a lower price for our milk.

If all of the problems already mentioned are not enough, I think the Animal Rights movement will fill the bill. I think in the near future this problem will surface to the front burner. Material I read indicates to me that this movement is growing not only in membership but also in funds. This segment of people represents a large number of votes, but there is something far more important than votes when we think of what food could cost if this group succeeds. There is a growing number of people on food stamps and living in poverty. If the animal rights movement continues to grow, this could result in a tremendous increase in the funds needed to feed the poor. However, the dairy cow is least threatened by this group because all dairymen know that it is only when a cow is treated like a lady and she is content that she will perform at her best.

There are also a number of dairymen in this area who have reported and been critical of low-flying planes and helicopters on practice missions of bombing bridges on the Yadkin River. These planes come over at treetop level and cause cows to stampede, resulting in injury to cows and thus, a loss to dairymen. We feel that measure to correct this is in order.

The last problem I see for the dairy farmer today is how can he be a part of community and society and still operate a successful dairy. A dairy farmer needs to keep up with what is new with dairy processing, cope with new breeding programs, to keep updated on new drugs and see that they are administered correctly, to try to help promote the sale of dairy products, to formulate feeds to fit the need of his dairy herd, to manage his labor force, and then on the other side of the coin be a husband and a father. His children expect the same from him that friends get from their parents, in school, in recreation, in church, as well as vacations and weekends at home. A successful dairy farmer cannot do all these things with and for his family or the dairy will suffer. As a result he feels guilty that he has neglected his family. A dairy farmer works many more hours than anyone should. I think I know, for after forty years of dairy farming I look back and say to myself "Yes, you were successful, but at the expense of your family." What I am saying is that I don"t think the farmer, and the dairy farmer in particular, is being compensated adequately for his investment and time when compared to others.

(Attachment follows:)

SUMMARY

To: UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON AGRICULTURE

Mr. Chairman and members of the Committee on Agriculture:

Thank you for finding time to come to North Carolina and for giving some of us an opportunity to share our thoughts with you. I am Spurgeon Brooks of Stanly County, North Carolina, a semi-retired dairy and grain farmer. Since I am retired I only work 10 to 12 hours a day, mostly as a hobby, doing some of the things my sons, who now manage and operate the dairy, want me to do. A farm bill at my age will not affect me very much regardless of what becomes law. However, I have much interest and great respect for those who follow.

There seems to be a misconception about agriculture and as a result we are all getting hurt. It is true that the number of people who are farming is declining. Many times because of fewer votes, larger numbers of people are getting the ear of our legislators and often, the dollar. Economist Michael L. Walden of NC State University recently reported how large and important the agricultural sector is to our state. Including all sectors relating to agriculture, directly or indirectly, over 1/3 of North Carolina's economy in 1987 was accounted for. Almost 34% of all employed in the state are dependent on our agriculture base. We have a real job ahead of us to educate the public and we need your help.

I was asked to come today and state what I thought was wrong with agriculture, or what is the dairy farmer confronted with. In my testimony I have tried to address some of the problems that dairy farmers of this area feel are important to their future. I mentioned animal waste, antibiotics, labor, better promotion of dairy products, and milk competing with other drinks, Federal Milk Order, animal rights, and can the manager/owner survive today's pressures.

Animal waste is here to stay if we keep animals. It would be great if someone could come up with a safe, cheap chemical that would kill odor. However until research comes up with a better answer we must work with what we have.

Antibiotics are a concern for all of us. The dairy farmer uses them because he has nothing better. They are not cheap. However without antibiotics many dairies would be forced out of business.

Labor in this area is of great concern. Unemployment is very low. In our county (Stanly), at the present time , it is 2.8% compared to a national figure of 5.3%. Most other businesses can offer more in the way of better pay, more time off, and better fringe benefits. As a result the turnover of labor is greater and this is also expensive.

We as dairymen must be concerned with sales and promotion of dairy products because our products are competing with other products and we must face it, they are doing a better job. We need more research and new ways to use our nutritious product.

Federal Order may be our source of marketing milk in the near future if our NC Milk Commission should lose a court case regarding the pricing of milk in NC. This could mean that the price paid to the producers would be less than is being paid at the present time.

Animal rights movement, as I see it, could cause the price of some food to be higher if they continue to grow in number and in funding to promote their beliefs. If this is the case then the government will have a greater burden to feed and take care of those in poverty and on food stamps.

My last concern is whether or not the owner/manager of a dairy can survive the pressure. I speak of all the demands for a successful dairyman to operate his farm and to be a part of society for the sake of his family in church, school, and community affairs. I speak from experience of forty years. As I look back I can say yes I was successful but at the expense of my family. I don't think that there is a fair compensation for time and investment compared to other industry or business.

November 10, 1989

Good morning. My name is Jim Lambeth and I actively farm tobacco in Richmond County. I want to speak to you for a few minutes on what I think are some of our main concerns in the tobacco industry today.

As each of you know, the tobacco program and tobacco itself has been, and hopefully will continue to be, the lifeblood for the economy of North Carolina.

The current tobacco program is generally working very well, and therefore I am certainly not suggesting any legislative changes. The current formula used by the United States Department of Agriculture to establish quota, or pounds of tobacco to be grown in a particular year, with input from both domestic cigarette manufacturers and exporters along with stabilization needs insures us against an over or under supply of cured leaf to a large extent. This combining of manufacturers, exporters, and stablilzation needs to establish quota is very important in keeping supply in line with demand, and therefore insuring us a good return on our investment.

I would encourage the Secretary of Agriculture, Mr. Yeutter, that since tobacco sales dropped in price at the end of our marketing season, he hold any increase in quota for 1990 to a minimum. He is allowed to adjust the formula plus or minus 3% by law or to leave it as the formula calls for. This is not to say we as farmers do not want to produce more tobacco. If the world market needs more tobacco, we farmers here in the United States want to be the ones to produce it. We feel we can produce by far the best leaf in the world, but we do not want to produce a crop that has no guaranteed demand.

One thing I think needs to be addressed is the MH residue problem. This is a problem that threatens the very existence of our export market. We cannot any longer sit back and hope this problem will simply fade away because the West Germans as well as the other European Common Market nations have projected that by 1992 they will no longer accept tobacco with MH residues higher than 75 PPM. U. S. tobacco constantly as a whole runs much higher than this. We as farmers must shoulder some of the blame, but with the limited labor situation we have, now expected to get worse, we need better chemicals that will do the work of the MH but not leave the heavy MH residues. Hopefully, some funding through USDA to the chemical companies and universities can help develop better sucker control chemicals that produce less residues.

Also, I would encourage you to use your influence in preventing any increase in the tobacco tax. Currently, tobacco contributes approximately 11 billion dollars to the treasury in taxes annually. I think this figure reflects the importance of tobacco to the general economy of the United States.

I think at this particular time we would be wise not to ask or demand any legislation relating to the overall tobacco program due to the many critics tobacco now has concerning where you can and cannot smoke as well as the many health issues that we as tobacco farmers and users are constantly faced with.

In recapping, I just want to reemphasize that I think the tobacco farmer is on solid ground with the tobacco program as it now exists. With the new program incorporating the inputs of manufacturers, exporters, and stabilization into the year by year determination of the quota for the following year, and the plus or minus 3% discretion of the Secretary of Agriculture to adjust this quota, we should be able to better keep supply in line with demand. As long as the program is working as smoothly as it now is, I think it wise for us to let it work for us.

Thank you for allowing me to appear before you.

AQUACULTURE

Presented By: Jay Stallings
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Aquaculture is a new frontier that offers many challenges which lie ahead to be conquered. It offers opportunities as an alternative to our basic agriculture, diversification to our existing agriculture, and most of all, aquaculture offers a wholesome, nutritious, economical food to the American people.

U.S.D.A. needs to classify aquaculture as agriculture in such a manner that all agencies will recognize it as well. Other agencies include E.P.A., Fish and Wildlife, FHA, etc.

This recognition will have a profound impact on permitting tax breaks, ease of acquiring loans, etc. At present, if someone is intersted in constructing a pond or impoundment for raising fish, he has to get a 404 permit, along with the involvement of the Army Core of Engineers.

1. U.S.D.A. should take the lead in aquaculture and be recognized as such.
2. It is my understanding that U.S.D.A. has one trained aquaculturist; there is a need for more!
3. At present, there are five regional aquaculture centers with an annual budget of one million dollars each. These centers are good, however, there should be more of them so they can be more localized to the needs of the people. We share with eleven states, as well as the Virgin Islands and Puerto Rico in the Southern Regional Aquaculture Center.

   a. Continued funding for increasing publications to provide latest research finds.
   b. Continued emphasis on research.
4. Concentrated efforts should be made to involve new states on the National Agriculture Committee.
5. Would encourage the tracking of funding over past years to make sure that all states get a representative share.
6. There should be provisions made for competitive grants for research for interested states.

IN SUMMARY

Aquaculture can provide the best of two worlds:

1. A delicious, nutritious, food product that can be economical.
2. It will certainly add to the clean water act as aquaculture requires the ultimate in clean water.

So, by your continued support of aquaculture, you are adding to our great food chain and protecing the quality of water at the same time.

3. Providing another alternative agricultural commodity.

STATEMENT TO

CONGRESSMAN W. G. (BILL) HEFNER, MEMBER
APPROPRIATIONS COMMITTEE

CONGRESSMAN E. (KIKA) DE LA GARZA, CHAIRMAN
AGRICULTURE COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

and other members of the Committee
on the

"1990 FARM BILL"

Wingate College, Wingate, NC

November 13, 1989

By: Earl Hendrix
Raeford, N. C.

CONGRESSMAN HEFNER, CHAIRMAN DE LA GARZA AND DISTINGUISHED MEMBERS OF THE AGRICULTURE COMMITTEE,

I am Earl Hendrix, a multi-crop farmer from Hoke County in North Carolina's Eighth District. My farming enterprises consist of tobacco, cotton, corn, small grains, hay, vegetable crops, swine and soybeans. In addition to my affiliation with other farm organizations and groups, I am currently the immediate past president and member of the Board of Directors of the North Carolina Soybean Producers Association, and also serve on a national committee of the American Soybean Association. Hence, I am here today as a bona fide farmer as well as a representative of the soybean associations in addressing what I perceive to be some of the problems and some possible opportunities for soybean farmers here and across our nation as you go about enacting the 1990 farm bill.

Last Thursday, November 9, the United States Department of Agriculture's Statistical Reporting Service announced that the 1989 national soybean production would be 1.94-billion bushels, up 25 per cent over last year's drought-stricken crop of 1.55-billion bushels. North Carolina's 1989 soybean crop, which is slightly more than two per cent of the national total, is pegged at 40-million bushels. Soybeans are our state's second highest cash crop, behind tobacco, and utilize more of our farm acreage than any other crop. The estimated farm value of our state's 1988 soybean crop is approximately $268-million, and $30.9-million in our 12-county Eighth District. Estimated nationwide farm value of our 1988 crop has been pegged at $10.9-billion, with approximately one-half going into export sales. Foreign sales of U.S. produced soybeans have, in recent years, accounted for around one-fourth of all agricultural dollars earned in the export market! As can be seen, soybeans are of tremendous economic importance to the farmers in our state and nation; and, as an earner of foreign exchange, that benefits all our citizens. As a matter of fact, exports of all U.S. produced agricultural commodities are not only fundamental to the economic well-being of our farmers, but to the entire nation - and we all can agree that the world community needs our commodities, and our nation needs the trade.

Unlike so many other agricultural commodities produced in this country since World War II, our soybeans have generally enjoyed unparalleled growth in worldwide demand - that is, until the last decade when national and international political and economic circumstances have halted further growth. However, we feel that our success story of the past 25 or so years is attributable to the well-planned and coordinated efforts of the American Soybean Association (with which North Carolina is closely affiliated) in promotion of soybeans on a global basis. This successful market development story is made possible by self-help funds from our soybean producers, combined with monies from the Foreign Agricultural Service and third-party cooperators.

I am here today to give you some input as the Congress proceeds in enacting a new Farm Bill in 1990. I feel that my statement is fairly simple to comprehend, is to the point, and should reflect the viewpoint of most soybean farmers throughout our nation. Following are twelve topics which, in my opinion, are the concerns of most soybean farmers:

1. **Need for dependable export markets. (This is essential for the economic survival of U.S. agriculture and we must ensure against embargoes and other trade impediments.)**
2. **Need for consistent, long-range agricultural policy. (Farmers must make heavy long-range plans and financial commitments; and, therefore, they must be able to know that agricultural policy will be consistent, dependable and essentially immune from partisan political considerations.)**

In 1973, 1974, 1975 and again in 1980, our government imposed selective embargoes on agricultural exports. Even today, after the 1983 enactment of the so-called "contract sanctity" legislation for agricultural exports, our farmers, as well as our foreign customers, continue to be wary of the possibility of such disruptive measures recurring again. It is our opinion that our government ought to fight hard to keep our nation's export market shares intact. We need to do everything possible to minimize our own trade barriers and constraints, such as import restrictions and duties combined with such other export constraints as cargo preference, monetary policies, or embargoes. Our farmers are tooled up and financially committed to long-term production! We understand that trade is a two-way street; and, much of our agricultural policy of the last two decades has been based on a professed strong export program, but without a consistent commitment of government to enhance this objective. We simply must have a long-range, predictable and consistent agricultural policy (with the commitment to back up such policy) which would be in our total national interest in the long run. This objective would include such approaches as: (a) elimination of trade import barriers that might create countering measures by foreign governments; (b) complete elimination of threats of agricultural embargoes of U.S. commodities (except in times of war or extreme domestic food shortage); (c) a monetary policy that does not make U.S. agriculture "cannon fodder" in exchange rate circumstances such as we have been experiencing over the last few years; (d) a commitment of the U.S. government to become a stronger advocate of agriculture exports through more support of export promotion such as FAS Cooperator Funding, P.L. 480-type programs, Export Enhancement (EEP), and Targeted Export Assistance (TEA); (e) elimination of such barriers as antiquated cargo preference laws, union boycotts, etc., that restrict or prevent the expeditious and economic flow of commodities from this country; and (f) granting Most Favored Nation status to the Soviet Union.

Short of the foregoing commitments, the U.S., it seems, will become more and more a residual supplier of agricultural commodities, which would then mandate sweeping supply-management production systems for agriculture in order to keep producers solvent. The point to note regarding supply-management for soybeans is the significant "hidden" costs to U. S. consumers, and the ultimate strategic loss of our nation's economic growth due to under-utilization of resources. For soybeans, we accept the consequences of the "free trade" concept, so long as it is "fair trade" and government is our advocate and not an adversary. However, we recognize the uniqueness of different commodities and respect the fact that they don't all fit nicely into the same policy "mold."

3. **Responsible grain and soybean reserves. (These must be under farmer control, but with a fixed limit on total storage and length of storage under a responsible government loan rate.)**

4. **Responsible loan rate without set-aside programs for soybeans and that provides no price floor for our overseas competitors.**

We are opposed to any type government-owned or government-held reserves for soybeans. We support programs which essentially leave stocks in the ownership of farmers, combined with a reasonable Federal loan, preferably in the form of a marketing loan similar to the current program for rice and cotton that prevents our foreign competitors from using the U.S. soybean loan as a world price floor or guarantee. Other possibilities could include a producer option payment in a reasonable per bushel amount in return for the farmer's agreement to not use the loan program, or, a reasonable per acre direct payment to all soybean farmers that is based on production history. In our opinion, government loans should not be extended from season to season, but rather should have a definite time limitation of 12 - 15 months from the beginning of the particular marketing year in order to prevent artificial buildup of stocks. We also continue to oppose a set aside for soybeans. Likewise, in keeping with our "freedom to market" philosophy, we continue to oppose any government board or agency, such as Commodity Credit Corporation, becoming the sole negotiator in export sales of U.S.-produced soybeans and grains.

5. **Termination of U.S. taxpayer support of foreign competition combined with resolution of Latin American debt.**

We continue to oppose the use of taxpayer dollars being used to support foreign competition for our crop. Research and development for such commodities as palm oil and coconut oil in Asia and Africa, and soybean production in South America, are all being supported to some extent by United States tax dollars through such organizations as the World Bank, International Monetary Fund (IMF), the Agency for International Development (AID), and large domestic banks whose loans are being insured by our own tax dollars. These financial arrangements continue, so we understand, despite Congressional resolutions which call for an end to such activity. It is inconceivable that our steel or automobile manufacturers would aid foreign competitors. Thus, we question why we should encourage foreign competition for soybean farmers which, in turn, weakens our balance of trade position! As a part of the overall resolution of these foreign loans, we must recognize that a major reason for our current agricultural crisis is the exploding debt of certain developing nations, particularly Brazil and Argentina. Brazil is currently carrying some $110-billion in foreign debt, with Argentina having over $50-billion. Both these nations are struggling to satisfy these enormous debts through increased agricultural exports, particularly soybean exports, while decreasing their own imports. Simultaneously, domestic consumption and standards of living in Argentina and Brazil have undergone steady declines over the last ten years, resulting in a real and serious threat to the fragile and emerging democracies of both these nations. We feel that the best resolution to this problem is to "write off" a portion of this debt in return for more open markets for U. S. agricultural imports and a commitment by Brazil and Argentina to increase domestic consumption of their own agricultural production. This, in turn, would improve their domestic tranquility, strengthen their fragile democracies and once again avail our farmers to a greater portion of our traditional agricultural export markets.

6. **Continue pursuit of "Fair Trade" policies and practices by the European Community and others.**

One other growing international situation that continues to threaten our traditional agricultural export markets is the 12-nation European Community (EC) goal of a high subsidized, self-sufficient agriculture. Some of the objectives of the EC in reaching self-sufficiency threaten to eliminate traditional imports of certain U.S. commodities in violation of their treaty agreements under the General Agreements on Tariffs and Trade (GATT). On several occasions in the last five years the EC has threatened U.S. agricultural and soybean producers, first in the accession of Spain and Portugal to the community and concurrent severance of $400-million in traditional agricultural export shipments of grain to those two nations. No sooner had this issue been settled than the EC proposed an internal vegetable oil tax that could eventually eliminate our $3-billion soybean market that represents one-fourth of our total annual soybean production in the U.S. The United States government must stand firm against these and other such major threats or restrictive barriers to soybeans and other agricultural exports to the EC and elsewhere in the world.

7. Need to restore investment tax credits to farmers.

On the domestic side, several issues need to be evaluated or re-evaluated. First, we feel investment tax credits for purchase of agricultural machinery and equipment, that were eliminated in the 1986 Tax Reform Act, should be restored to farmers. This one step could go a long way toward revitalization of rural America, inasmuch as farmers would have incentives to trade equipment as a way of keeping their operations efficient while at the same time allowing young farmers (or others) an opportunity to enter farming or otherwise obtain good, reliable used equipment and eventually heal a continuing sick agricultural equipment industry in this county.

8. Need for planting flexibility on program crop acres. This flexibility should allow up to 25 per cent substitution with soybeans or other non-program crops without loss of base acreage. And, restriction on use of set-aside acreage should terminate when the designated crop is harvested.

The 1985 Farm Bill, through its programs for such crops as corn, grain sorghum, wheat, oats, barley and cotton, has resulted in discrimination against soybean production in such a way as to cause sizable acreage reduction for soybeans over the last few years, most especially in the Southeast. Congress must take steps in writing the 1990 Farm Bill to minimize, or eliminate, the "legislative" advantage for these program crops if U.S. farmers are to retain world market shares for soybeans and minimize foreign competition from soybeans and other oilseed crops. We feel that, in order to get soybean production back on a "level playing field" in the U.S., the 1990 Farm Bill should provide the Secretary of Agriculture authority to grant planting flexibility of up to 25 per cent for program crops on each farm so that farmers can substitute soybean production on these acres without losing the base acreage of the program crop. If the flexible acreage substitution higher than 25 per cent is allowed, the result could have distortions in program crop supplies and simultaneously disrupt soybean profits due to oversupply. Without such corrective measures, or some form or variance of a marketing loan concept, soybean production, most likely, will continue to decline in the South. We feel that Congress must limit substitution of soybeans on program crop acreage to no more than 25 per cent and resist wide open substitution that might cause imbalanced production shifts to those crops holding promise of the highest subsidy. In any event, we do not support any set-aside scheme for program crops that would, in turn, permit soybean planting on such set-aside or diverted acreage. However, restriction of use of set-aside on diverted acreage should terminate when the designated crop is harvested.

9. **Need for reasonable environmental constraints that provide incentives to farmers to incorporate environmentally acceptable practices.**

Environmental concerns are becoming major public issues in all areas of society, especially as related to air and water quality and to food safety and health. Stronger efforts are therefore being made to associate farming practices with environmental pollution, especially in the area of water quality, and farmers are attempting to deal responsibly to such pressure. As Congress writes a new Farm Bill, members should be mindful of the need for reasonable legislation that will allow farmers to continue producing safe and adequate supplies of food and fiber for domestic and export consumers. When tradeoffs are deemed necessary, Congress should provide monetary incentives rather than costly constraints that prohibit efficient production. We therefore oppose cross-compliance requirements where farmers must adhere to regulations at their own expense that are "in the public interest."

10. **Need for better, more definitive labeling of vegetable fats and oils (truth-in-labeling) that will benefit soybean farmers and promote better health potential for all Americans.**

There is great need for realistic and meaningful Federal truth-in-labeling regulations by the Food and Drug Administration regarding edible fats and oils. This is an issue that is vital to the economic health of soybean farmers and the physical health of all our citizens, inasmuch as imported and highly saturated palm oil, palm kernel oil and coconut oil is being imported here at unacceptable rates and being marketed as nutritious "vegetable oil."

Unlike domestic soybean oil, corn, cottonseed and sunflower oils that are low in saturated fats and are quite healthy, these imported tropical fats tend to increase blood serum cholesterol levels and coronary heart disease for many unsuspecting consumers who are not aware of such danger. The Congress should endeavor to have FDA clarify the term "vegetable oil" on product labels by (a) reclassifying palm, palm kernel and coconut oils that contain up to 92% saturation as something other than vegetable oil; (b) requiring manufacturers to label any of these tropical fats as "saturated fats" whenever they are listed as ingredients on food labels; and (c) requiring that saturated fat content be identified on food labels. To put the consumption of these tropical fats in perspective, in 1986, the U.S. imported the equivalent of soybean oil from 171 million bushels - or four and one-half times as many soybeans as North Carolina produced last year! On average, this was like taking $1,465 from the pockets of every soybean farmer in the country.

11. **Need for Federal assistance for market development, combined with effective agronomic and utilization research. (This is an alternative to such stability programs as PIK, etc. Farmers are tooled up to produce for world markets and not for idling their production capacity.)**

We want to encourage strong and increased Federal funding for soybean production and utilization research along with market development funding and support. Soybeans are our nation's number one cash crop, yet still trail many other commodities in terms of research dollars spent versus value of our production. Soybean production has increased least on a per-acre-yield basis among the major crops produced in this country. Continued strong research funding, especially here in the Southeast, is necessary in order to boost profitable production. Likewise, continued strong funding of foreign agricultural service market development dollars benefit all our citizens through increased demand for soybeans, which, in turn, makes our imported items less expensive.

12. **Need for stabilized fiscal and monetary policies. (We need to eliminate the unbelievable deficits of government and get our currency back to a stable value.)**

Finally, we feel that our Federal Government must take bold and swift action to return our economy to a sound fiscal and monetary base. An end to deficit spending would likely do more to restore farmer prosperity than any other actions of our government. A stable currency exchange rate with other nations, combined with realistic interest rates could also restore our farm export programs.

CONCLUSION

And, we must find reasonable ways to insure reasonable profits for our farmers. A friend of mine recently stated that he "was not interested in having to haul twice as much grain to market to stay even," but, he felt it was time to get a better income for the output he is already achieving. We have to wonder just how many acres we must cultivate and how much larger our equipment must be in order to continue farming. There has to be a practical limit if we are to stay in farming. Cost of production cannot continue to soar because of high input and equipment costs, etc., while our commodity prices and sales continue to decline.

Even though we daily hear about the good economic conditions of our economy, farmers are still facing uncertain circumstances, and I can detect a continuing uneasiness among farmers I know. Mr. Chairman, and members of this distinguished panel, I say it is high time that our Federal Government direct its effort toward developing a sound agricultural economy, lest a bankrupt agriculture drag the rest of our economy into another devastating depression. I feel that the principles we have outlined in this presentation are well reasoned and are the proper course to return the soybean industry and all of agriculture to a sound base.

In conclusion, Mr. Chairman, we wish to express our appreciation for this opportunity to appear at this hearing today. We encourage you to be diligent in your effort to write agricultural legislation that will provide for economic justice for our nation's farmers. We must keep this most important segment of our economy healthy and avoid making agriculture the nation's economic shock absorber due to any mistakes and/or excesses of other segments of commerce, labor, industry or government. A viable United States agriculture is essential for the good health of this country and the entire world.

Thank you.

Mr. Chairman:
I am Edwin Hammill, a corn farmer from Gold Hill in Rowan county. I appreciate this opportunity to appear before your committee today to discuss the new 1990 farm bill.

First let me say that the 1985 Food Security Act has been mostly successful and has been fairly popular with corn farmers in general. The 1985 Act stood up well during one period of extreme surpluses and the drought of 1988.

There are three areas that a farm bill must be successful in doing.

1. Reasonable annual setaside programs to avoid overproduction
2. it must continue to restore international and domestic price competitiveness
3. maintaining a measure of income and price protection for farmers through acceptable levels of target prices and loan rates

The 1990 farm bill will have to address the growing concern about environmental issues including water and air quality and soil conservation.

I would like to see the Department of Agriculture take the lead in the area of "food safety" instead of having the EPA and the Food and Drug Administration taking positions to accommodate public pressure.

We have seen the lowering of support prices return us to a competitive position in the world grain market. However, a continuation of the lowering of support prices in the 1990 farm bill is not necessary. In the last year of the 1985 farm bill, the corn target price may be set as low as $2.75 per bushel and the loan rate just $1.57 per bushel. Current market conditions do not justify any further decline in the new farm bill.

A vigorous export program must also continue in the 1990 farm bill. In this regard, I would urge making the marketing loan for corn mandatory in any instance that our corn exports face unfair price competition for overseas markets

In our domestic markets, the use of degradable plastics must be pressed at the national level. The 1990 farm bill must support and expand new and current industrial uses for corn.

I would urge that the 6 cent per gallon exemption for ethanol from the federal motor fuel excise tax be extended to the year 2010. We have seen corn usage in this area grow from 80 million bushels to 350 million bushels in 10 years time. In summary Mr. Chairman, Fine tune the '85 farmbill,

Thank you again for inviting me to testify before your committee.

STATEMENT OF JOHN BALFOUR
on behalf of
SOUTHERN COTTON GROWERS, INC.
before the
COMMITTEE ON AGRICULTURE
U. S. HOUSE OF REPRESENTATIVES
November 13, 1989
Wingate, North Carolina

****

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE.............

Welcome to the great farm state of North Carolina......... On behalf of the North Carolina cotton farmer, I wish to thank the Committee for its work on behalf of agriculture and for the time and effort you have taken in holding these important hearings here in North Carolina.

I am John Balfour, a cotton farmer from Lumber Bridge, Hoke County, North Carolina, and I am presently serving on the Board of Directors of Southern Cotton Growers, Inc., on whose behalf I have the privilege of addressing you today.

Southern Cotton Growers, Inc., is the regional cotton producers organization in the Southeast United States , representing cotton farmers from throughout Alabama, Georgia, North Carolina, South Carolina, Florida and Virginia.

Before I address the subject matter of today's hearing, I wish to take this opportunity to thank this Committee, the House and Congress for their passage of the Disaster Relief Act of 1989, Our farmers in South Carolina have suffered the worst disaster in recent history. Hopefully, the Disaster Relief Act will lend some assistance.

Cotton farmers in North Carolina and the southeast, endorse the continuation of the Food Security Act of 1985, with minor adjustment, which provides the Secretary with the necessary tools to assure that we maintain our competitiveness which moves our commodities in foreign and domestic trade and provides our farmers with a fair return on their investments.

Throughout most of its long history, the CCC loan including the eight month extension, has provided very useful functions with little cost to the Government. It has served as an orderly marketing tool; provided a mechanism through which adequate supplies could be carried at reasonable costs; and, has aided farmers in obtaining production credit.

The CCC loan level for cotton should remain at its' present term and level and premiums, discounts and bases, including location adjustments, should accurately reflect market value.

We support the continuation of the target price concept which more accurately reflects inflation in the cost of production, however, we urge the use of cost per acre, rather than cost per pound, in determining increases in cost of production.

We oppose any limits on price supports or payments due to their inherent inequities and the adverse effects such limits have on balancing supply and demand as well as bringing about increased Government expenditures.

We further oppose any type of offsetting and cross-compliance as such policies would have a severe impact upon our farmers in the Southeast, which grow more than just one crop. In addition, such policies would reduce drastically participation in any type of production control programs as well as provide a double standard to those farmers affected by limitations.

We urge this Committee, Congress, USDA, and other governmental agencies to adopt and implement the following provisions as part of the agricultural policies of the United States.

MARKET ENHANCEMENT

A. Maintain a marketing loan program that enhances the competitiveness of U.S. cotton in all markets.

B. Assure that the CCC loan level exists only to assist producers in crop financing but should not encourage excessive cotton production.

C. That premiums, discounts and bases for the qualities of upland cotton used by USDA in establishing CCC loan differentials accurately reflect market value.

D. That interest rates on cotton loans not exceed the lowest rate at which government borrows money.

E. Oppose raw cotton imports, except when supplies are limited, and producers' interests may be best served by a temporary limited relaxation of import quotas.

This would serve to avoid imposition of export quotas, avoid loss of domestic market to synthetics and assure domestic mills an opportunity to compete in world markets for available supplies at competitive prices until U. S. producers could fully supply domestic needs.

F. Oppose any type of cotton reserve program.

G. Continue to support Section 1002(a) of the Act which provides that whenever a credit or commodity embargo of any commodity is imposed for any reason other than a national emergency declared by both Houses of Congress, the U. S. Government shall on the day the restriction is initiated, establish a compensatory program to the producers which reflects 90 percent of normal producer income without payment limitations while maintaining a one price system.

H. Should a oil seed marketing loan be forthcoming, implement a cottonseed marketing loan program. Proceeds from such program should be paid to the producer or ginner.

I. Support adequate funding to expand export markets through blended credit, P. L. 480, export commodity exchange, and other programs which provide equitable treatment to domestic mills.

PRODUCTION CONTROLS

A. Maintain the continuation of the target price concept which accurately reflects the cost of production. For determination purposes the cost of production should be based on cost per acre rather than cost per pound.

B. Acreage reduction program beyond 25% be in the form of a paid diversion.

C. Eliminate offsetting and cross compliance.

D. Continue laws and regulations which permit a reasonable increase in individual base acreage.

CONSERVATION

A. Adopt production legislation that encourages reasonable conservation and efficient production practices.

B. Such legislation should not be used as a requirement for participation in government programs.

C. Any long term conservation reserve program should not adversely effect the agribusiness economy of individual counties.

BOLL WEEVIL ERADICATION

A. Continue adequate Federal funding of the Boll Weevil Eradication Program.

FARM CREDIT

A. Farm credit systems should be supported by private financial institutions and the U.S. Government to assure the farming industry of adequate short term and long term financing at reasonable costs.

B. FmHA implement a program to help qualified young people begin farming.

C. FmHA should have a program of disaster loans in conjunction with or in the absence of the disaster provisions.

COTTON INCORPORATED FUNDING

A. Support legislation that permits uniform collection of the research and promotion assessment, without a refund option, on upland cotton produced or imported by the U. S. and on cotton product imports.

DISASTER PROGRAMS

A. Maintain a mandatory federally funded crop disaster program in the event of a natural disaster.

Mr. Chairman, we appreciate the opportunity to present these comments and recommendations.

Thank you.

Mr. Chairman, distinguished members of the Committee, and guests, I appreciate very much the opportunity to appear before this Committee to share my views regarding the Conservation Provisions of the 1985 Farm Bill and to make recommendations for consideration for the 1990 Farm Bill. My name is E. C. Tatum. I am a Christmas tree farmer and a supervisor of the Davie County Soil and Water Conservation District.

Despite some initial rough edges that needed to be smoothed, the conservation provisions of the 1985 Farm Bill have served a useful purpose. Those of us interested in conservation recognize the high cost of uncontrolled erosion, pollution of our waters, and unnecessary conversion of wetlands. The sodbuster, swampbuster, and compliance provisions address these problems.

We think it is not too much to require those who receive USDA benefits to take reasonable precautions to protect the land and water resources of our nation. These resources are indeed critical to our survival as a free people.

In North Carolina, the conservation provisions of the 1985 Farm Bill have generated more than 40,000 conservation plans on about 1.3 million acres of highly erodible lands. These plans have been reviewed and approved by local soil

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Testimony of E. C. Tatum, Supervisor, Davie County Soil and Water Conservation District, presented at the Field Hearing of the House Agriculture Committee at Wingate College, Wingate, North Carolina, November 13, 1989.

and water conservation districts. These districts are local units of state government. They stand on the front line in the battle for reasonable approaches in solving natural resource problems.

The conservation provisions of the 1985 Farm Bill were about right for the times, in our opinion. Most farmers treasure their land and are committed to its care and protection. They know it is entrusted to them for a while and then it passes to someone else. As in all other occupations, however, there are a few who are interested only in themselves and in what they can get now. It's unfortunate, but laws that influence the actions of all must be enacted because of the greediness of these few.

Although somewhat displeasing to some, the conservation provisions of the 1985 Farm Bill have raised the level of conservation awareness for most of those who own or use the land. Knowledge is a powerful tool in effecting change.

The Conservation Reserve Program has been a valuable tool in removing highly erodible land from cultivation and in providing the conservation treatment needed for these marginal croplands. It also has provided a measure of financial security for the elderly, widows, and disadvantaged who can receive a reasonable rental rate for their CRP acres over a period of ten years.

In regard to conservation provisions for a 1990 Farm Bill, there are several things that I consider to be very important in your deliberations. First, I think there is need for recognition of the positive benefits of the 1985 Bill. The foundation has been laid and it is not a time for major changes in direction. Sodbuster, swampbuster and conservation compliance make sense. The critical need now is to get the conservation systems that are included in the farm plans put on the ground. A lot of new programs are not needed. Commitment to do those things already started is essential.

I urge you in the strongest way that I can to make sure that the Federal Government carries its share of the load in soil and water conservation programs. Technical assistance to help farmers install Best Management Practices is critical. In recent years, this commitment has seemed to wane as budget pressures build. It's time to give soil and water conservation very high national priority. Instead of a host of new programs, I believe we need to make sure that those already in place are adequately funded.

Congress should recognize and give credit to those states that make major conservation commitments on their own. They should make sure that USDA agencies do the same. North Carolina state and local units of government appropriate $15 to 20 million annually to soil and water conservation programs. This is approximately 50% more than the Federal funding to USDA's Soil Conservation Service in the state. We have one of the best state cost-share programs in the nation for controlling ag related pollution. Additional Federal funds to help implement this and other state programs will pay big dividends in protecting our nation's resources.

Specific recommendations I have for the conservation provisions of the 1990 Farm Bill are:

1. Continue the Sodbuster, Swampbuster and Conservation Compliance provisions of the 1985 Farm Bill as now written.
2. Continue the Conservation Reserve Program. Change the procedures to eliminate the bidding process so that those farmers with eligible land will know up front what the rental rates are. Include provisions for incentives to encourage retention of CRP lands in cover after the 10-year contract period ends.
3. Include provisions to provide incentives for water quality improvement measures on agricultural lands.
4. Resist pressures to require Nutrient and Pesticide Management plans as a part of the so-called cross-compliance requirement.
5. Include provisions for additional technical assistance to states in implementing state water quality programs similar to the North Carolina Agricultural Cost-Share Program.
6. Provide for additional research on the effects of conservation systems on both surface and ground water, especially in regard to nutrients and pesticides.

In closing, let me say again how much I appreciate your invitation to present my thoughts here today. I know you have a difficult task ahead as you consider the many thoughts and ideas that are presented. Just keep in mind, if you will, that land and water resources are the base from which we build and sustain our nation and our freedom and our competitive edge. Thank you.

RICHARD H. JOHNSON, PRESIDENT
PEE DEE ELECTRIC MEMBERSHIP CORPORATION
BEFORE THE
COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES

NOVEMBER 13, 1989

Mr. Chairman and Members of the Committee, my name is Richard H. Johnson. I am President of Pee Dee EMC, a member of the North Carolina Association of Electric Co-ops, the state association of rural electric cooperatives. In North Carolina, 28 rural electric systems provide electric service to over 550,000 consumers in 95 of the state's counties.

I appreciate the opportunity to address the committee on a matter that is very important to rural electric systems and their consumer owners, and that is the economic prosperity of rural America.

The 1990 Farm Bill will be pivotal in determining rural America's future. Clearly policies of the past have developed situations that are of concern to all of us.

Large farms with annual sales of more than $500,000 are increasing in number. They constitute only 1.2 percent of the total number of farms, but now annually produce one half the cattle and calves in the country, one half the poultry, 70 percent of the vegetables, one half the fruit and 20 percent of the hogs, but that's increasing rapidly.

These large farms are more prevalent in the Pacific and Central regions of the U.S. They are driving smaller enterprises out of business, requiring the smaller farms to depend on grain farming and nonfarm jobs to stay in business.

At the end of 1987, there were 1.5 million farms selling less than $40,000 of farm commodities per year, netting almost nothing on the farm operation, but earning about $23,000 per family, mostly from nonfarm jobs and salaries.

On restructuring currently financed farm loans, there is great concern about the way IRS treats the write-off of principal and interest. It is my understanding that the interest can be written off without any tax consequence, however, any principal written off is treated as earned income. This creates a tax consequence very unfavorable to the ones involved.

These numbers underscore very clearly the importance of rural economic development. Agriculture is and will continue to be the primary engine that drives the rural economy, but, in order to maintain stability, we must diversify that economy. We must provide jobs and opportunity, not only for the thousands of young people who are forced to leave their communities in search of employment, but also for those small, family farmers who need nonfarm income to survive.

We need this diversification for other rural enterprises to maintain their financial viability, and that brings me to something that is near and dear to rural electric systems. More than 250 of our systems are losing consumers. And we are already confronted with a consumer mix that makes it more expensive to provide electricity in rural areas. Typically, a rural electric system in this country has only about 5 consumers per mile of line, and typically, two-thirds of these consumers are residential. Rural electric systems simply don't have the middle sized and large consumers that can use a system's total capacity. Yet, the system must maintain that capacity to meet the "peak" demands of the total system.

That's an expensive way to provide electricity, and that's reflected in our rates, which, nationally, on average, are 15 percent higher than those of the neighboring utilities.

That's why rural economic development is and will remain one of the top priorities of rural electric systems.

While we firmly believe that rural economic development must be locally motivated, we also firmly believe that there is a partnership role for the federal government.

This Committee has been supportive of measures which allow rural electric systems to take a leadership role in rural economic development, and for that, we are deeply grateful.

The rural electrification program is a shining example of what an effective partnership between the government and the private sector can accomplish. Rural electric co-ops are locally owned and operated, and the government's role is to facilitate their operation through the provision of affordable capital and technical assistance. As the Congress begins its consideration of rural development legislation, I would urge that it be modeled after this highly successful partnership arrangement.

I would also be hopeful that as the Committee addresses U.S. farm policy, you will put the interest of the American farmer first. This has a direct impact on the economy of our rural areas.

A strong domestic farm economy is the foundation for rural development and rural economic stability.

Rural America is just beginning to recover from nearly a decade of farm depression, and the legislation you are currently involved in will certainly be pivotal in assuring that continued recovery.

I would be happy to answer any questions members of the Committee may have.

I thank you for the opportunity to appear before the Committee.

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JORDAN Lumber & Supply, Inc.
Fifty Years ·· Quality Is Our Product
P.O. BOX 98 MT. GILEAD, NC 27306
PHONE (919) 439-6121 FAX (919) 439-6232

Mr. Chairman dela Garza and members of the committee:

Welcome to North Carolina!

I am Jack Jordan, Executive Vice-president of Jordan Lumber & Supply, Inc. As my family and employees of Jordan Lumber are celebrating this month our 50th year anniversary of business in North Carolina's timber industry, it is particularly a great honor to have this opportunity to speak before this committee concerning North Carolina's reforestation needs.

Today, I would like to make a brief statement concerning the need for your continued support of the Conservation Reserve Program (C.R.P.) to meet the current and future needs of North Carolina's private landowners. With the loss of the favorable Capital Gains Tax provision in 1986, our experience in dealing with private landowners constantly shows us there is no reasonable financial benefit for private landowners to assume the risks involved in long-term tree-farming. For the sake of time, I will quickly summarize our thoughts on the C.R.P. into five recommendations which are as follows:

No. 1. Due to the fact that in North Carolina over 1.5 million acres are still eligible for tree planting, the Conservation Reserve Program needs to be extended.

No. 2. In order to promote better planning between private landowners and all state and federal agencies involved with C.R.P., it would be extremely helpful to allow sign-up periods year-round.

No. 3. We would like to see the erosion eligibility requirement for tree planting reduced. There is idle cropland in North Carolina not eligible under the erosion criteria that is marginal for farming. These areas are more suitable for growing trees, and the farmers need the C.R.P. incentive to make this conversion.

No. 4. As a method to save considerable time and administrative costs, we would like to see the "Bidding process" abolished for setting the annual rent payment. The local A.S.C.S. committee should determine the annual rent payment based on local comparable rental rates.

No. 5. We would like the Conservation Reserve program to be expanded to allow for eligibility of highly erodible pastureland that meets erosion criteria. Due to the required cropland classification, these acres are not considered.

Given this opportunity to present this information before you, I would also like to comment briefly on the Forestry Incentive Program (F.I.P.) concerning North Carolina's needs that go beyond the Conservation Reserve Program. Since 1974, the F.I.P. funding has been reduced from $1,600,000 to $577,000 on an annual basis. Total reforestation and natural regeneration in North Carolina has increased to a little over 100,000 acres this year, representing approximately one half of the harvested acres needing reforestation. We are fortunate in North Carolina to have in place our Forest Development Program (F.D.P.) funded in the amount of 2.2 million dollars this year jointly by our timber industry's severance tax and legislative appropriations. There is a critical need for an additional $400,000 in annual funds to deal with the existing demands of North Carolina's site preparation and reforestation needs. Due to the decreased funding level in F.I.P., top priority in that program has been given to tree planting only, leaving too little funding for site preparation and virtually none for timber stand improvement.

Finally, due to the devastation of Hurricane Hugo, nowhere more visible than in this very area we are in today, we anticipate in North Carolina a critical need for additional funds and special priority for those landowners who are being forced to liquidate their timber holdings due to this natural catastrophy. It is estimated by the N.C. Forest Service that approximately 2.7 million acres were impacted by Hugo in North Carolina, of which approximately one (1) million acres will require reforestation. Additional funds for site preparation and reforestation could be handled as a one-time appropriation, but needs to be eligible for 2 to 5 years in order to be effective. We urge your support for a program such as this or any of the bills recently introduced in Congress requesting emergency funding.

On behalf of North Carolina's private landowners and the timber industry, I wish to express our sincere thanks to Congressman Hefner for paving the way for you, Mr. Chairman, and your committee to be here today, and for the opportunity to voice our concerns concerning tree farming in North Carolina.

REPORT ON CONSERVATION RESERVE PROGRAM (C.R.P.) IN NORTH CAROLINA

Since 1985, there have been nine sign-up periods producing 140,781 total acres in the program. Utilizing approximately 4,200 farms, 60% or 84,066 acres were planted in trees. Cost share payments paid to landowners to date total 2.5 million dollars, averaging $30/acre for site preparation and tree planting. Average annual rental payments were $45/acre/year totaling 3.78 million dollars to date.

Why is the Conservation Reserve Program an important and beneficial program for North Carolina? The Soil Conservation Service estimates the average annual soil loss is 10-15 tons/acre/year. The value of this soil loss is tremendous and significant when looking at the value of the site indexes for tree growth. This same soil loss impacts our streams and water quality. In addition to the 140,781 acres currently in the C.R.P., over 1.5 million acres are still eligible for tree planting using the soil erosion criteria. Even more additional acres are eligible if the new wetlands criteria is used also for determination. The importance of C.R.P. to North Carolina can be summarized by substantial benefits to the economy of North Carolina, our private landowners, soil loss reduction, improved water quality, improved wildlife habitat, and improved air quality.

In summary, recommendations for providing a strong, beneficial, and viable C.R.P. for North Carolina in the future are as follows:

1. The program needs to be extended.
2. Allow sign-up periods year-round.
3. Reduce erosion eligibility requirement for tree planting.
4. Abolish the bidding process for setting the annual rent payment.
5. Allow for eligibility of highly erodible pastureland that meets erosion criteria.

REPORT ON FORESTRY INCENTIVES PROGRAM (F.I.P.) IN NORTH CAROLINA

Currently in North Carolina, approximately 196,000 acres are being harvested on an annual basis with a little over 100,000 of these acres reforested by planting or natural regeneration. Since 1974, North Carolina has received a reduction of F.I.P. funds from 1,600,0C0 to 577,000 as shown on the table below:

1974	28,000 acres	$1,600,000
1979	26,000 acres	1,200,000
1986	18,000 acres	613,000
1987	16,000 acres	577,000

Only 16,000-18,000 acres are currently funded by the Forestry Incentives Program funds for tree planting and timber stand improvement on an annual basis. Due to shortage of funds, top priority is given to planting only, leaving too little funds for site preparation and timber stand improvement. North Carolina's Forest Development Program (F.D.P.) funded by the Timber Industry's Severance Tax and Legislative appropriations has helped offset the reduction in Federal funding to the F.I.P. by funding 2.2 million dollars this year.

To meet the needs of North Carolina's private landowners, it is recommended that an additional level of funding of $400,000 annualy is necessary to help close the gap between harvested acres and reforested acres. Additional funds would also allow site preparation and timber stand improvement needs to be considered on a higher priority basis.

TESTIMONY TO THE HOUSE AGRICULTURE COMMITTEE ON THE 1990 FARM BILL

Wingate, North Carolina
November 13, 1989

My name is Carl Betsill, Program Coordinator for Small Game and Migratory Birds for the North Carolina Wildlife Resources Commission. On behalf of the Commission I would like to thank the members of the Committee for the opportunity to comment on the 1990 farm bill. Farming practices have a direct and significant effect on wildlife populations in North Carolina. So much so that rabbit and quail over the years have become known as "farm game species". Quite a tradition has grown around the recreational use of these game animals in the South. Farmers, their families, and friends grew up taking advantage of these game species as a natural and important by-product of farming operations. Not only did these species add to cultural traditions and recreation opportunities they also were an indicator of how well farming fit in with the environment. A farm that can produce healthy and abundant wildlife resources, as well as fulfill its primary goal, is one that should be compatible with the future of our fragile ecosystem. In recent years farm wildlife populations have been declining dramatically. The 1985 Farm Bill was an important step in turning around this trend and recognizing the need for protecting and benefiting wildlife resources in our farming programs.

Aldo Leopold, in The Sand County Almanac, outlined what he termed as a need for a "land ethic". As Leopold said, our society must develop an ecological conscience with respect to our use of land. Farmers, like other intensive users of the land, must recognize a responsibility to future generations and to the impacts their practices have on our present ecosystem. The conservation provisions of the 1985 Farm Bill, while having many problems, made a significant contribution to developing this land ethic. Farmers seem to be more aware that what they do on their own private property impacts more than just their farm. I am sure some of you have read A Sand County Almanac. A couple of years ago The North Carolina Chapter of The Wildlife Society provided every member of the North Carolina delegation with copies of this book. If you have not read it, I beg you to do so, and if it has been a while since you have read it please read it again as you are preparing for drafting the bill for 1990. It will be worth your time, I assure you.

Water and air quality as well as wildlife and fisheries resources are affected by farming operations . These natural resources impacted by farming operations are important to us all and make private farming activities everyone's business. In drafting the 1985 Farm Bill and in preparation for the 1990 bill your committee has sought input from everyone that is affected by this legislation. You have not only included the farming community but people interested in the environment, public health, the economy and humane issues. We urge you to continue this approach. As you are drafting the bill please be aware that wildlife resource professionals are eager and willing to provide input. We can help you weigh the impacts that certain provisions will have on wildlife resources. Our staff of biologists with the North Carolina Wildlife Resources Commission, as I'm sure other state wildlife agencies, are available to provide input as you develop this important legislation.

More specifically, we urge you to continue and strengthen the sodbuster and swampbuster provisions in the bill. There has been much confusion on the implementation of these provisions, but if the intent of congress is carried out, these problems can be overcome.

The annual set-aside program needs to be extended to a multi-year program if at all possible. While some future supply and demand uncertainties are expected and require flexibility, a more stable program can surely be developed. Disturbance to set-aside acreages should be prohibited through the growing season. These unused areas are heavily used by nesting bobwhite quail in the Southeast throughout the summer. If disking is allowed at the time of commodity crop harvest as some have suggested, large scale impacts will be felt on quail populations. Since the public has paid for these areas to be set-aside, public benefit in allowing these areas to serve as important wildlife habitat should be maintained.

The Conservation Reserve Program should be continued. Although upland wildlife populations in the Southeast have not benefited from this program as much as populations in other parts of the country, the benefits to water quality and associated wildlife cannot be questioned. Many traditional farm wildlife species like quail and rabbit will see only temporary benefits as the majority of CRP lands are converted from farmland to pine monoculture forest. Once the pine forest reaches 3-5 years of age the benefits to these species decline dramatically. Since wildlife practices are an accepted practice on CRP lands and most farmers express interest in wildlife benefits, part of the problem is merely educating farmers as to the options available. Another part of the problem are the economic incentives available for forestry practices and not available for wildlife practices. Should not these same incentives be available for wildlife practices? Forest management and wildlife management are not incompatible, but to manage for both requires careful planning and some modification of traditional industrial forest management practices. My experience is that farmers are willing to make these modifications if they are aware of the options. Again there is an education problem. Perhaps more resources in this program should be used to educate farmers on what options are available for their CRP acres.

Again I wish to thank the committee for the opportunity to comment on the 1990 Farm Bill. This is an important piece of legislation, not just for the farmer but for all citizens. What the farmer does affects the air we breathe, the water we drink, the food we eat, the forest products we use, and the wildlife we all enjoy. Let's consider all these things when drafting the 1990 bill.

TESTIMONY OF THE RURAL ADVANCEMENT FUND/NATIONAL SHARECROPPERS FUND

FOR THE

U.S. HOUSE AGRICULTURE COMMITTEE
HEARING ON THE 1990 FARM BILL

MONDAY, NOVEMBER 13, 1989

WINGATE COLLEGE, WINGATE N. C.

The Rural Advancement Fund thanks the U.S. House Committee on Agriculture for this opportunity to address issues for consideration in the 1990 Farm Bill. RAF is a fifty year old nonprofit organization which is dedicated to the preservation of our family farm system of agriculture, rights and opportunities for rural people, and protection of our natural resources. We are headquartered in North Carolina and have worked with thousands of farmers throughout the Carolinas in addressing issues and problems which affect our farm and rural areas. As an organization which encourages citizen participation we are delighted with this opportunity to present our views.

We would like to thank the Committee and, especially, Rep. Bill Hefner for holding this public hearing in our state. We would also like to thank Representatives Rose, Jones, Lancaster and Tallon for their continued support and leadership on the Agriculture Committee.

We are grateful to see the era of the 1985 Farm Bill come to a close and to greet this opportunity for developing a better blueprint for national farm and food policy. Like you, we hope that the 1990 Farm and Food Security legislation will serve the highest interest of our family farmers, our rural communities and our nation. As you know the 1985 Farm Bill has not been a success for the nearly a half million families who were forced out of farming during this era. Since 17,000 of those displaced families were Carolinians we are especially anxious to see better policy put forward and opportunities created for re-entry into farming.

In our testimony we will cover these areas of concern: farm credit, commodity prices and inventory management, elderly, minority and disadvantaged farmers, poultry contract farming, low input sustainable agriculture, and biotechnology.

FARM CREDIT

As an organization that provides direct assistance to farmers who continue to experience credit and debt problems as a result of the farm economic crisis of the 1980's, we have worked very hard to see that the 1987 Ag Credit Act is properly implemented.

Like you, we regard the Ag Credit Act as the most substantial farm credit legislation of the decade. Its provisions were designed not simply as a stopgap measure for the agriculture crisis of the 1980s, but also to ensure that in the future Congress would not have to redress many credit issues anytime there is stress in the agriculture economy. The Act provides a means by which farmers who have been hurt by circumstances beyond their control can restructure debts, retain homesteads and otherwise rework their situation to get back on their feet. It is a means by which productive farmers can continue to contribute to the economy and the community. It protects individual and government interests at the same time.

In our efforts to see that the Agriculture Credit Act is effectively implemented and that farmers and the government receive the benefits that were intended by Congress, we can report that progress is being made in the Carolinas though it is slow and not without obstacles. The last report we received from the North Carolina Farmers Home Administration showed that the majority of farmers who had applied for debt restructuring and other services under the Act are still awaiting decisions from FmHA. FmHA reports that 616 applications are still pending, 200 are being appealed and only 259 have had their debts restructured or have been given the opportunity for recovery value buy-outs. Only 62 farmers had received a write-down according to this fall FmHA report.

We recognize several problems with the implementation of the Ag Credit Act and recommend that Congress consider fine tuning the law to prevent these problems if solutions cannot be worked out administratively.

--While FmHA has been very strict about farmers meeting paperwork deadlines it has not been so strict with itself. Processing of restructuring applications has been slow, often resulting in further deterioration of the farms viability.

--Our county FmHA offices will only run the DALAR$ program a single time. The DALAR$ is a computer program that determines if and under what terms a farmers' debts can be restructured. While there are many variables that can change the results of the program, a farmer is given only one shot at succeeding with the program. An independent run of the program is not available through other sources in the county. Consequently, what can be the most important decision in a farmers's life is left up to one chance at the computer.

--County FmHA offices have also changed farm and home plans without notifying the borrower, thus changing the restructuring options.

We recommend that Congress fine tune the Ag Credit Act, requiring FmHA offices to allow a number of runs of the DALAR$ program for borrowers who seek restructuring of loans. We also recommend that FmHA personnel not be allowed to change farm and home plans without permission of the farm borrower and that FmHA be required to observe strict deadlines on servicing decisions, etc., just as they have required farmers to strictly meet deadlines.

In addition to these problems with FmHA, we have found that Farm Credit System, though it received substantial help from Congress, is not living up to its responsibility to go the extra mile with farm borrowers. Few write downs or restructurings have been granted. Interest rates are excessive (15% in areas where other credit is available at 9 and 10%). According to recent court interpretations, farmers do not have the right to sue FCS even though decisions by the FCS may have caused the loss of farms.

We recommend that Congress improve the FCS section of the Ag Credit Act, putting in more teeth and guidelines, so that FCS debt restructuring and homestead protection become realities. We further recommend that Congress restore the borrower's right to sue FCS.

Many of the practicing family farmers in the Carolinas are elderly. While the Ag Credit Act provides opportunities for debt restructuring and homestead protection, these provisions have proved to be inadequate for farmers over 60 years of age. Homestead agreements still require rental payments or market value buy outs of a homeplace. Farmers have worked all their lives to own these farms and many times have paid for them several times over in interest payments. Restructuring agreements often use unrealistic 20 year farming plans for farmers who will not live long enough to carry those plans out. Older farmers can neither afford these expensive leases and buy-outs, nor can they expect to live up to agreements which involve 20 years of additional farming.

We recommend that Congress create a special provision in the 1990 Farm Bill to deal with the special situation of our elderly farmers. The Ag Committee should examine the relative cost of providing subsidized housing and other social program benefits to displaced senior citizen farmers and compare this with the costs of allowing these farmers to stay in their homeplaces with an ability to provide some of their own food and income.

COMMODITY PRICES AND INVENTORY

All the credit legislation in the world can only provide temporary relief if farm income does not improve. Once method of improving farm income is to increase the price farmers get for the commodities they produce in the marketplace. Recent USDA reports show that the prices for many farm commodities is still lower than the cost of producing those commodities.

Historically, the price paid by food processing and distribution companies to the farmer corresponds to the level of the loan rates which are set by Congress. Raising the loan rate would increase the prices paid to farmers by companies, at the same time reducing taxpayer costs for farm programs. Taxpayer costs have risen to $124 billion during the last 7 years. They are primarily expended as deficiency payments or subsidies when the prices given farmers in the marketplace fall below the cost of production. The lion's share of farm income in the last decade came from government payments, not from the marketplace.

In North Carolina we have experienced the success of the Peanut and Tobacco programs. Both are based on a fair price in the marketplace with controls over supplies that better match the need and demand for the product. In these programs farmers are given marketing quotas and an annual price is set above the cost of production.

We recommend that Congress create, in the 1990 Farm Bill, a national policy for dairy, grain, and other storable commodities that is similar to our tobacco and peanut programs, one that manages inventory to cover domestic and export needs, is adequate to meet food assistance and emergency needs, while providing an adequate income for the farmer through sales in the marketplace, not from taxpayer pockets.

We further recommend that changes in commodity programs be approved by farmers in a referendum on these programs. We strongly recommend this right to vote on the programs that most affect a farmers' livelihood.

LOW INPUT SUSTAINABLE AGRICULTURE

Another means by which Congress can improve farm policy and the viability of family size farm operations is to remove the barriers and create incentives for less expensive, more ecologically sound farming practices.

Present government programs discourage the use of less chemically intensive farming practices. Farmers who rotate crops are penalized by losing part of their commodity base. Farmers who produce less yield per acre because they use less chemicals per acre, are also penalized by loss of commodity program benefits.

FmHA and FCS discriminate against farmers who use LISA practices. Farm and home plans are rejected and loans or servicing turned down when farmers propose using less chemically intensive management practices.

We recommend that these barriers in lending and allocation of base be removed.

Technical assistance is needed for farmers who wish to change to LISA practices. We understand that LISA guides are being developed.

We recommend that these guides to LISA practices be developed by panels of practicing sustainable farmers with a record of success and who are located in the regions in which the guides will be used.

Government funds could be used to encourage transition to less expensive and safer practices.

We recommend that practices such as the use of green manures as an alternative to chemical fertilizer, be cost shared by the farmer and the government.

During the transition from chemically intensive farming to LIST, farmers may experience a reduction in yield for several years.

We recommend that a farmer reserve be established to provide in kind assistance to farmers who are making the switch to LISA practices.

DISADVANTAGED AND MINORITY FARMERS

North Carolina is blessed with a diversified farming population. Not only do we grow a variety of crops but we also have black, white and Indian farmers. While N.C. mirrors the national trends in the loss of minority farmers (approximately 2 1/2 times the rate of loss of that of white farmers), we still have a substantial minority farming population. Between 4000-5000 of the states farmers are black or Indian. Yet the losses are alarming. In 1920 one in seven farmers was black, today one in 67 is black. The U.S. Civil Rights Commission predicts that by the year 2000 there will be no black farmers in North Carolina or any other place in the U.S. if the trend is not reversed.

We recommend that Congress incorporate in the 1990 Farm Bill, provisions to protect the present minority farmers, enable others to re-enter farming, and create new farming opportunities for minorities including the following provisions:

--Expand the target participation rates for government lending and other USDA programs. The 1987 Ag Credit Act initiated the use of target participation rates as a method for balancing the availability of government funds for farm ownership loans with the need and size of the minority population in states and counties. We recommend that this be expanded to include other USDA programs as well.

--We recommend the creation of a land registry for minority held land, similar to that now in operation for historic lands and wetlands. This would serve to track the minority held lands, encourage transfer within minority communities, and monitor losses and gains.

--The Office of Advocacy and Enterprise presently serves in limited ways as a watchdog for USDA programs, monitoring minority participation and program enforcement. We recommend that this agency's resources and authority be expanded.

--The current number of minority youth in farming is alarmingly low. We recommend that Congress create incentives and outreach programs for minority youth to become involved in farming.

CONTRACT FARMING

The central farm enterprise for many North Carolina farmers is poultry. Most poultry farming is done under contract. While receipts for poultry production in the state rivals that of tobacco, many poultry farmers are experiencing difficulties in getting paid well or on time and have much insecurity about the continuation of contracts from flock to flock.

Congress has protected other livestock producers through the Packers and Stockyards Act. The right to be paid, paid on time and basic contract protections are provided for in the P & S Act.

--We recommend that poultry growers also be covered under the protections of the Packers and Stockyards Act.

--We also recommend that USDA disaster programs be improved to provide assistance and compensation to poultry growers who lose birds due to heat, drought, hurricanes, and tornados. Present policies give disaster benefits such as feed certificates to the poultry companies with whom the farmers contract, leaving the poultry farmers who have suffered the actual losses of birds and income without assistance.

BIOTECHNOLOGY

Technological developments hold both great and grave promise for family size farmers. While there may be benefits for farmers in genetic engineering developments in agriculture, other developments pose serious threats to family size operators who may not be able to afford the expensive technologies and may not be able to compete with the altered production methods that can result from the release and marketing of new biotech agriculture products.

One biotech development, Bovine Growth Hormone, now promises to increase milk production per cow by as much as 30%, it also threatens to reduce the number of family size dairy farmers by a similar percentage.

--We recommend that Congress use its oversight powers and create appropriate means of restricting the use of new technologies, if these technologies threaten substantially the livelihood of our family farmers, the safety of our food, and the viability of our rural communities.

We greatly appreciate the opportunity to present our views to the House Agriculture Committee. If you would like to contact us for further information or comments, please do so.

For family farms and safe food,

Ronald K. Charity
Executive Director
Rural Advancement Fund

2128 Commonwealth Ave
Charlotte NC 28205
704-334-3051

Betty T. Bailey
Director
RAF Farm Survival Project

PO Box 1029
Pittsboro NC 27312
919-542-5292

Statement of James W. Chestnutt
on behalf of
The American Textile Manufacturers Institute
before the House Agriculture Committee
at
Wingate College, Wingate, N.C.
November 13, 1989

Mr. Chairman, my name is Mr. James W. Chestnutt. I am Vice President of Harriet and Henderson Yarns of Henderson, N.C. and I serve as the Vice Chairman of the American Textile Manufacturers Institute's (ATMI) Cotton Committee.

ATMI is the national trade association of the American textile industry. It represents 85% of the domestic industry for the spinning, weaving, knitting and finishing of cotton, wool, silk, and man-made fibers and 90% of the cotton system spindles. The Institute serves as the primary spokesman with the legislative and administrative branches of the federal government and is active in the areas of communications, international trade, economic information, education and market liaison.

The ATMI Cotton Committee's primary concern is the availability of an adequate supply of cotton necessary to meet domestic mill needs. In addition, it is actively involved with cotton imports and exports, the rules of buying and selling and other factors that affect cotton in the marketplace.

I would like to begin my remarks with a reminder that without American cotton, the U.S. textile industry would not have become the world's most competitive and efficient textile industry that it is today. It is also fair to say that without the U.S. textile industry, American cotton producers would not have the certainty of an assured market for their cotton that they do today.

In other words, a buyer-seller, customer-supplier relationship is a special kind of partnership. It places unique obligations on both parties. Textiles and cotton have those obligations.

You have heard it said many times, but in these critical times it bears repeating. The American textile industry and the cotton industry must work toward the common goal of having an adequate supply of cotton in the grades the textile industry needs at competitive prices.

Unfortunately, there have been some developments, and we see some down the road, that could seriously jeopardize the ability of the American textile industry, cotton's best and most reliable customer, to compete.

I would like to share our concerns with you today and explain the position the textile industry has taken.

As you know, the American textile industry plays an extremely important role in the overall agricultural balance of the United States. It is the only truly reliable customer for the American cotton grower as can be witnessed by the wide fluctuation of exports on a year-in year-out basis.

The price of cotton is of grave concern to us. For more than a year, right into the beginning of 1989, textile mills had to pay more for our raw cotton than our foreign competitors paid elsewhere in the world, even though the current federal cotton program mandates that the U.S. price be competitive in international markets. This cost U.S. textile mills in excess of $270 million dollars. It wasn't caused by bad business decisions on our part. To the contrary, it was caused by a malfunctioning agricultural program for raw cotton which allowed for this discrepancy in price.

The cost wouldn't matter so much if we existed in a business world void of competition. But, fortunately, we don't and price matters. Every penny per pound counts now more than ever.

While the price disparity problem has subsided, as some are quick to point out, the problem has not been fixed. It just disappeared because the world market tightened.

With regard to the issue of quantity, it is simply a case of not enough cotton. We believe the current target carryover of 4 million bales is far too low when our annual consumption is forecast near nine million bales. A minimum five million bale carryover is more reasonable. Recently, it has even been projected that we will end the year with a carryover of less than 3 million bales. This cotton forecast creates a tremendous amount of insecurity among manufacturers at a time when cotton usage is on the rise.

The quality of these bales is frequently lacking since the manufacturers have such a limited market in which to buy. This inability to get the finest grades of cotton for our operations effect the quality of our fabrics and our ability to compete with the foreign competition.

Although the 1985 Farm Bill granted the Secretary of Agriculture the authority to establish a one-price cotton system, mills are still paying inflated prices for bales of cotton.

The USDA has made some adjustments in the federal cotton program with regard to the Adjusted World Price (AWP) and the 18 month loan extension, but similar program adjustments have been made before, and failed sooner or later.

The fact is that a long-term competitive price for U.S. cotton, with current laws and programs, cannot be assured.

ATMI feels it is imperative that adjustments be made in the 1990 Farm Bill to correct this problem for the long term. We must be able to ensure an adequate supply of quality cotton at a competitive price.

In the interim, because of the severity of the problem and the inability of the 1985 Farm Bill to respond to changing price fluctuations, we are exploring the feasibility of filing a petition provided for under the law which, if approved, would provide for adequate supplies of raw cotton at competitive world prices. However, we still would need to have a more permanent solution in the 1990 farm legislation.

By taking this action, we are only trying to ensure the industry's ability to compete. We were being put at a competitive disadvantage by situations here at home for which we are not responsible.

When the textile industry's customers say they want our products in a color, shade, or pattern or specific fabric -- and they want it next week -- we deliver it then, or we lose their business.

When our prices for those products are not competitive, we lose those orders to overseas competition.

If we lose enough business, we close our plants, lay off our people, and quit buying your cotton. We want to be competitive and profitable. When we are, we are a better customer and we all win.

The textile industry is here today because we are survivors, fighters, the most modern textile industry anywhere in the world. We don't intend to let the problems I've discussed with you put us out of contention as a world class industry.

We will meet the challenges, not passively, but aggressively. Our actions will decide our future.

We hope that the cotton industry here will continue to play a significant part in that future. As partners, we can make it happen.

Thank you for your time.

AGRICULTURAL COMMISSIONER
WEIGHTS AND MEASURES

1850

COUNTY OF SANTA CRUZ

LENORD L. CRAFT, JR.
AGRICULTURAL COMMISSIONER
DIRECTOR WEIGHTS & MEASURES

November 1, 1989

Steve Siri
President
Santa Cruz County Farm Bureau
600 Main Street, Suite 2
Watsonville, CA 95076

Re: Earthquake Damage to the Agricultural Industry

Dear Steve:

As per your request, information received to date (11/1/89) indicates losses to agriculture in the amount of $10.6 million.

These figures are verifiable by name of person/firm sustaining damage. Please keep in mind we have actually received information from a very small segment of the industry. It is my estimation that when all damages are counted, some of which may not show until Spring, losses will exceed $15 million.

Good luck in the hearings.

Sincerely,

Lenord L. Craft, Jr.
Agricultural Commissioner
Director, Weights & Measures

LLC:vr

175 Westridge Drive WATSONVILLE, CALIFORNIA 95076 TELEPHONE (408) 761-4080, 425-2162

Agricultural Extension
University of California

1432 Freedom Boulevard
Watsonville, CA 95076-2796
(408) 761-4056 or 425-2591

County of Santa Cruz

Agricultural losses due to the "Loma Prieta" earthquake in Santa Cruz County reported as of November 2, 1989 are as follows:

Structural and Equipment	$6,033,500
Product loss or reduced value	$4,664,000
Total	$10,697,500

These estimates do not represent the total, but only those reported to or surveyed by the Agricultural Commissioner and Agricultural Extension Director as of this date.

Damage to irrigation systems may not be fully evaluated until spring.

Submitted by:

Ronald H. Tyler
County Director

Cooperative Extension Work in Agriculture and Home Economics, U.S. Department of Agriculture, University of California, Santa Cruz County Cooperating

November 1, 1989

House of Representatives
Agriculture Committee
Washington, D. C.

TO WHOM IT MAY CONCERN:

We are writing this letter to urge you to support the farms and ranches in Santa Cruz County and other areas that were hit by the earthquake on Oct. 17, 1989 by giving financial assistance to them.

We find ourselves asking why do the farmers and ranchers in this area even have to write and beg for financial assistance. Why are we being singled out and discriminated against? We walked into a FEMA Center and the SBA told us that they could not help because we were not a business - we are a farm. What is the difference? Does this mean we do not pay taxes, fees, and licenses to operate to serve the public. Do we not have inventory, equipment and salaries to pay.

After 36 years as a family-owned and operated ranch on which we also raised 4 children, we believe our poultry operation has as much right as other people to obtain government assistance when needed under the same terms.

We thank God that we didn't lose our business. We have two sons working with us now on our ranch that has 80,000 chickens. It supports three families now. But what we did lose was over $2000.00 for outside labor to move chickens when their equipment was damaged. Egg production dropped 15% when chickens were without water. A loss of approx. $7000.00. We lost 360 hens and their future production for a loss of $4600.00. Egg inventory loss of $900. Equipment replacement approx. $2000.00. Our total estimate would be $16,500.

Yes, we are thankful we can still operate to serve over 100 stores and restaurants with fresh eggs in Santa Cruz County (the only commercial egg ranch left in the county) but there are others who are not so fortunate. In Gilroy, June Davis poultry ranch lost 40,000 chickens and four out of seven buildings.

Ranchers need assistance just like the homeowners, other businesses, migrants, and low-income people. We count too! We serve a purpose and we all want to stay in business.

Thank you for your consideration.

Sincerely,
Marvin D. Glaum
GLAUM EGG RANCH
3100 Valencia Rd
Aptos, CA 95003
(408)688-3898

November 2, 1989

Dear Representative:

I am one of the many farmers of a family run farm in the Watsonville area. In the aftermath of the October 17, 1989 earthquake I along with other area farmers, have begun to realize how difficult it is to recive assist for the small farmer.

My family has both suffer emotional and economically. We have lost parts of our crop and have had damage to our property and the loss of a house. With these loses and the loses we have yet to see we have tried to see what assistance we could recive through the Farmers Home Administration. But upon talking with one of the representative of the FmHa my understanding of the conversation is that the farmers of this area and other areas will have extreme difficulties in reciving any assists unless things are changed.

Thank you,

Silvia Prevedelli

Silvia Prevedelli
282-A-PIONEER RD
WATS CALIF 95076
(408) 722-62-79
724-92-82

General information relative to Northwest Packing Company (dba San Benito Foods) application for Small Business Administration Loan.

San Benito Foods is a division of Northwest Packing Company, a private corporation, headquartered in Vancouver, Washington. The operation is a tomato cannery, producing a full line of tomato items, including tomato paste, puree, various sauces and numerous styles of canned peeled tomatoes. The business operates on an annual cycle - packing the product during the summer and fall and selling and shipping to customers year-round.

Consideration of this organization as a Major Source of Employment (MSE) is requested to allow application for assistance in amounts in excess of basic SBA limitations.

This operation is one of the six tomato canneries located in the disaster area. It is estimated that these six canneries employ in the range of 3,000 to 3,500 people during the processing season and over 500 during the remainder of the year. San Benito Foods represents well over 20% of this total for the industry in the disaster area. In addition, it is the largest single employer in San Benito County and, together with the other tomato cannery located in Hollister, represent over 10% of all labor in the county and the largest single industry in the area. Furthermore, the county is predominately agricultural and tomatoes are one of the largest crops grown and the potential impact on county-wide farm labor should also be given consideration.

Attached documents include summaries of direct labor of this operation (numbers of employees, by weeks, and approximate dollar amounts), as well as those for the entire corporation, Northwest Packing Co. In addition, we would estimate that the farm product used by this individual plant in 1989 would represent approximately 300 farm labor jobs, as well as about 60 to 75 truck drivers involved in moving the tomatoes from the farms to the cannery.

The manufacturing plant is located in central Hollister, California in a complex comprised of the processing facility and a number of warehouse structures. In addition, the company leases a number of warehouses throughout the surrounding area for storage of inventory at peak periods. The earthquake disaster unfortunately occurred on October 17, 1989, just four days after completion of the 1989 pack, which meant that the inventory was at absolute maximum.

Major damage is to the inventory and the warehouse buildings. Thus far only minor damage to the manufacturing facility has been noted. As yet, no engineering estimate is available for the full extent of structural damage, and due to the enormity of the inventory loss, we are only able to make the most generalized estimates of the economic loss sustained in connection with that inventory.

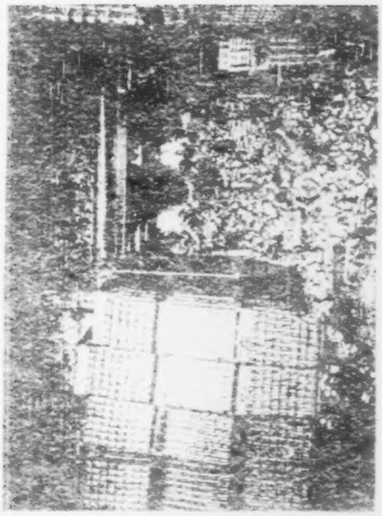
In addition to the multi-millions of loss suffered by San Benito Foods and the sizable number of jobs within this organization that are jeopardized, some other statistics of San Benito Foods operations for consideration of effect on local and regional economics would include:

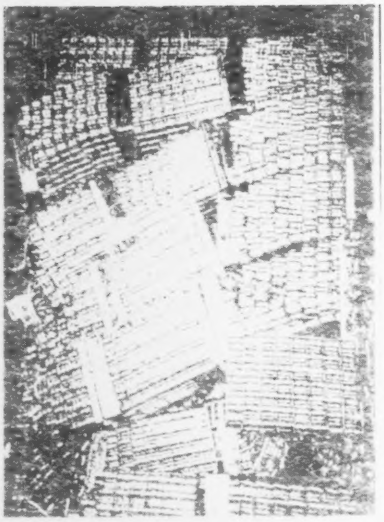
a) 1989 production consumed approximately 220,000 tons of raw tomatoes supplied by about 45 growers, of whom about 40% are located in the disaster area, with a crop value in excess of $12,000,000.

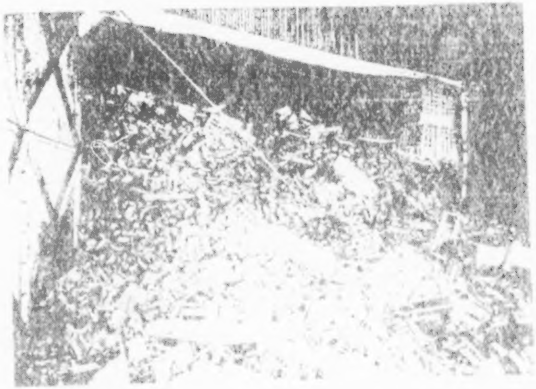
b) Production also consumed about $1,300,000 worth of other ingredients, including over $600,000 of liquid sugar, most of which was supplied from within the disaster area.

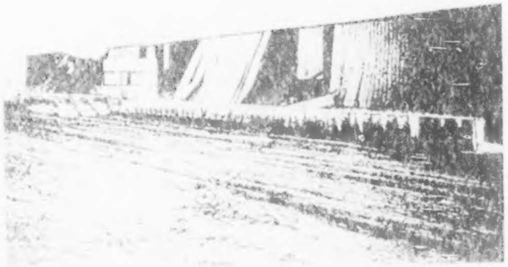
c) Peripheral services such as inspection, contract technicians, supplemental transportation, etc, basically within the disaster area, would represent scores of additional jobs and many millions of dollars.

It is imperative that this organization obtain immediate substantial assistance in this disaster, in order to promptly proceed with recovery and rehabilitation of inventory and premises, so that it can continue to supply its regular customers as normally as possible and retain its position as a viable operating entity, and also to start its regular planning and contracting for the 1990 season. The continued existence of this operation in Hollister, as well as the actual survival of the entire corporation, most probably rests on the successful acquisition of substantial long-term assistance.









BUAK FRUIT CO.
Grower, Packer, Distributor
FRESH APPLES
— Since 1927 —

1313 GREEN VALLEY ROAD — WATSONVILLE, CALIF 95076
(408) 724-6375

November 3, 1989

United States House Of Representatives
Agriculture Committee
Washington, D.C.

Dear Sirs,

We at Buak Fruit Company have suffered a great loss during the October 17, 1989 earthquake. We are still cleaning up the mess left behind by the earthquake. We had to shut down our packing line due to structure damage. Two rooms of cold storage and four rooms of control atmosphere filled with cartons and bulk bins of fruit still is an on going clean up.

I have put together an estimate cost of damage the earthquake has caused:

Structural Damage	$ 75,000.00
Crop Damage	$ 50,000.00
Cold Storage Damage Structural	$150,000.00
Control Atmosphere	$ 40,000.00
Broken Bins	$ 14,000.00
Clean Up Labor	$ 3,000.00
Total	$332,000.00

This act of nature is a misfortune and the suffering of damage is going to be with us for weeks to come along with the after shocks we hope the earthquake that hit on October 17, 1989 was the big one for a while.

Thank you,

Wm Buak
William N. Buak

APPLE JUICE APPLE CIDER
H. A. RIDER & SONS
2482 FREEDOM BOULEVARD
WATSONVILLE CA 95076
408 722 3882
TELEX 17-1123

November 2, 1989

To Whom it May Concern:

H. A. Rider & Sons is a family owned business operating in Watsonville, California. The principle product of this business is apple juice produced from fresh apples.

The Earthquake of October 17, 1989, resulted in four days of lost production. That time was spent clearing access to buildings, equipment, and supplies. Because the apple harvest had just reached it´s peak the previous week, the apple storage yard contained approximately 8500 bins of fruit waiting to be processed. The nearly four acres of warehouse space was full with either finished product or empty bottles.

At this time, our losses appear to be as follows: Bins--85% damaged, 25% beyond repair. All bins, undamaged or repairable will have a much shorter useful life because of the twisting they have been through. Full and empty glass--5% breakage, 10-15% salvageable through repacking, and the balance salvageable through restacking. We estimate the labor cost alone to be in excess of $200,000. Fruit lost due to the four day delay in processing as well as that lost while removing the bins from damaged stacks is approximately 10%. Building and equipment damage appears to be around $10,000.

Because of the time required to unstack and restack the inventory in order to prevent further damage, it will be several months before we know the full extent of product losses.

In addition to the processing plant losses, we also had approximately 15 acres of unharvested apples (150 tons) who´s value dropped $100 per ton when they fell from the trees.

Since H. A. Rider & Sons is owned by only five people, the losses resulting from the earthquake will be borne by those individuals, as well as all personal property damages occurring in three homes.

For additional information, please contact the undersigned.

Sincerely,

George C Rider

George C. Rider, Partner
H. A. Rider & Sons

A. Nagamine Nursery, Inc.

2783 Freedom Boulevard • Watsonville, California 95076-1094 • Office (408) 724-1282 • Fax (408) 761-0684

November 3, 1989

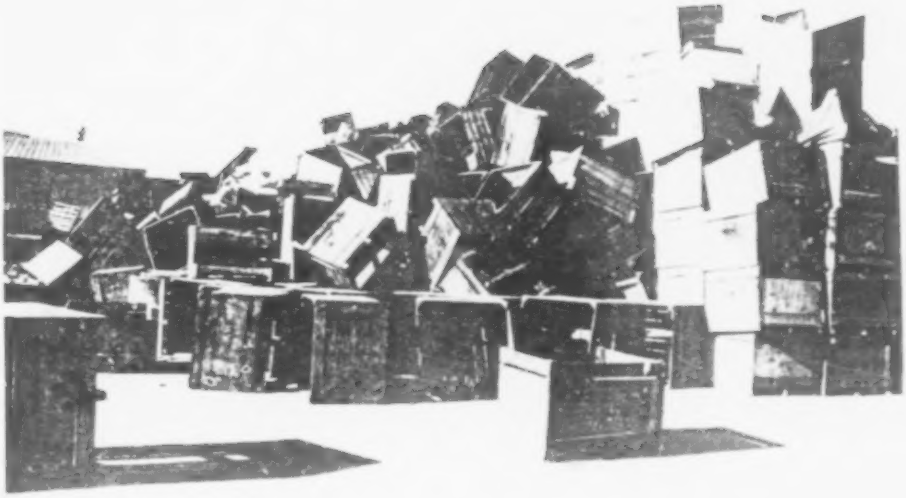
Bridges, roads, homes, etc. were not the only items damaged by the great quake. Many farmers and nurserymen also sustained tremendous damage to crops, plants, and greenhouses. What was built up thru years and years of work was suddenly lost in a matter of seconds. To my dismay, most of us are not eligible for assistance through the Farmers Home Administration or the Small Business Administration.

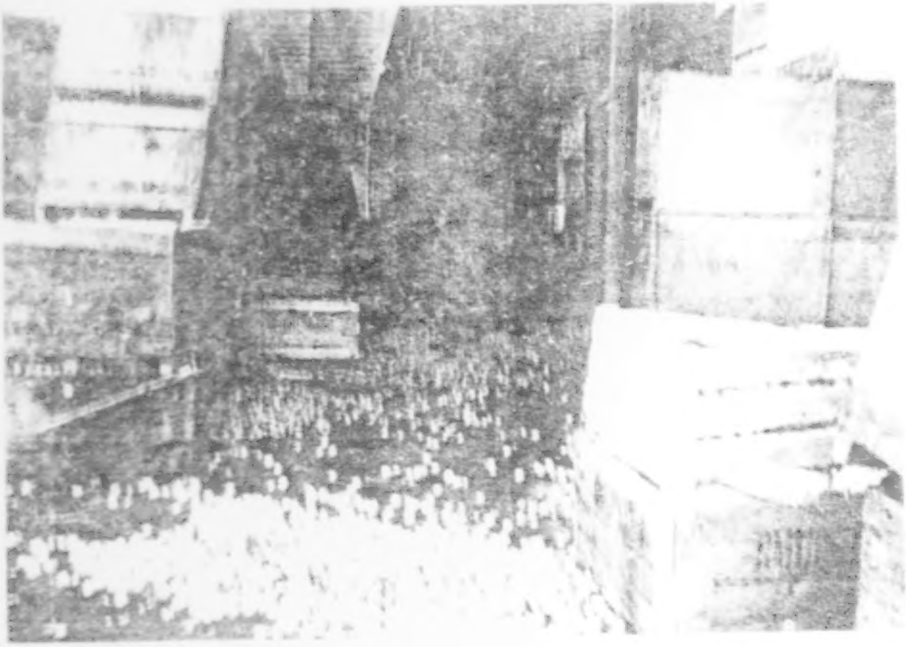
It is clear that the current programs are not working and changes must be made. Specifically, FHA qualifications and forced liquidation of other assets are unrealistic and unfair. Farmers and nurserymen deserve the opportunity to rebuild their businesses just as any other business.

I hope the people in government recognize the severity of the damage caused to agriculture and the real needs of those affected. Quick action is necessary to provide assistance to those affected now and to prevent the problems and frustrations we have all incurred in the future.

Glenn Nagamine

Glenn Nagamine
A. Nagamine Nursery, Inc.





Pearimains
110 Bins Loss
Loss $3,520 00/xx

Newtown
90 Bins Loss
Loss 3465 00/xx

Barn + Contents $30,000

Total loss
$36,985

Charles S. Bella
500 Valencia School Rd
Aptos CA 95003

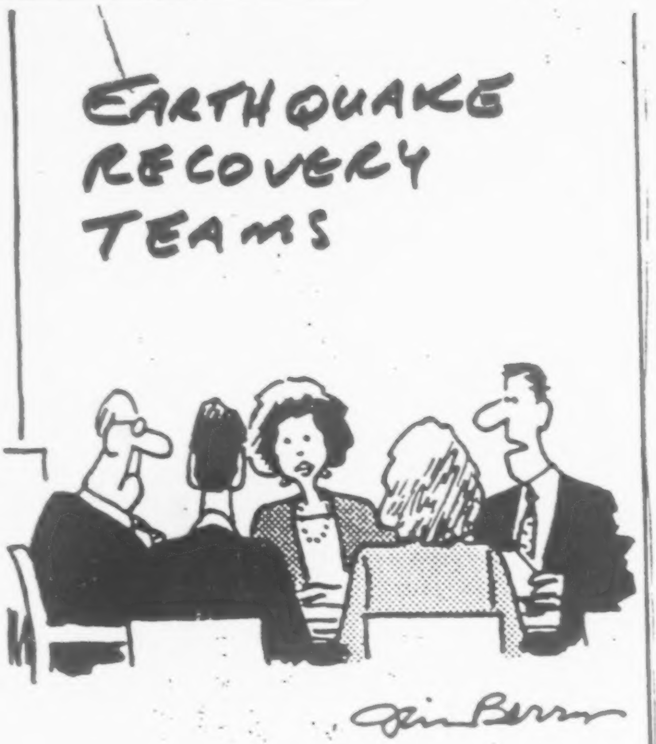
11/2/89

During the October 17th earthquake sever damage was sustained on a dwelling at 1358 Amesti Rd. Watsonville. This dwelling was knocked off its foundation and then it was red tagged. The dwelling was insured by State Farm Insurance (Policy # 97-60-2271-6. This policy did not have an earthquake insurance clause. The approximate value of this dwelling was $55,000.00.

Also on the same day, October 17th, 1989 thirty bins of apples were in cold storage at the Apple Growers Cold Storage Watsonville, Ca. The bins shifted and fell causing severe damage to the containers and the apples. When the apples were shoveled up they were left outside the cooler for ten more days. The approximate loss to the bin containers and apples was 9,000^{00} to 10,000^{00} dollars.

The owners of the property and apples are Robert and Nick Gilardoni. If further information is needed you may contact Nick Gilardoni 5 Lyle Way Santa Cruz, Ca Phone numbers are 426-9190 or 423-2210.

P.S. This house was a farm dwelling.


EARTHQUAKE
RECOVERY
TEAMS
Jim Berry

"I've forgotten! What do we do around here besides MEETINGS?"

SECTION 4 CROPS, YIELDS, AND ACRES

89 ELIGIBLE AND INELIGIBLE CROPS

A The following crops are eligible for disaster payments if program requirements are met:

1 Participating program crops, which include wheat, feed grains, upland cotton, ELS cotton, and rice.

2 Nonparticipating program crops, which include wheat, feed grains, upland cotton, ELS cotton, and rice.

3 Soybeans, sunflowers, peanuts, sugarcane, sugar beets, and tobacco.

4 Nonprogram crops. For disaster purposes, nonprogram crops are all other crops, including honey and maple syrup, except the crops in subparagraphs 1 through 3 and subparagraph B.

B Crops and products ineligible for disaster payments are:

1 Acreage of a 2nd crop planted after failed or prevented planted that is considered replacement acreage according to paragraph 93.

2 Crops that would have matured for harvest in 1990.

3 By-products resulting from processing the harvested crop, such as cotton seed, peanut hay, and oat straw.

4 The plants that produce an eligible crop, such as strawberry plants.

5 Nursery crops.

1989 Crop Disaster Program

28 LAND NOT ELIGIBLE FOR DISASTER ASSISTANCE

A All land normally used for farming or ranching operations is eligible under ECP, except the following:

1 Flowage rights and easement land that is subject to inundation when water is released under normal operations from flood control structures to control upstream floodwaters.

2 Land adjacent to water impoundment reservoirs that is subject to inundation when the reservoir is filled to capacity.

3 Land subject to frequent damage, which is either of the following:

a Land that has been severely damaged 3 or more times in the last 25 years.

b Land that is susceptible to severe damage because of its location, regardless of whether it has been severely damaged in the last 25 years. For example, bottomland adjacent to a stream is ineligible because its location makes it susceptible to severe damage.

4 Facilities in irrigation canals or on their inside banks may be approved if the canal is not a channel subject to flooding. Land located in old or new channels or on any of the inside banks is ineligible for assistance unless approved by DASCO.

--5 Land in greenhouses or in other confined areas, or devoted to container grown nursery stock is ineligible.--

ECP = Emergency Conservation Program

United States Department of Agriculture

Agricultural Stabilization and Conservation Service

Monterey-Santa Cruz-San Mateo
County ASCS Office
635 South Sanborn Rd Suite 6
Salinas, CA 93901 - (408)-424-7377

NEWSLETTER #7 September 20, 1989

1989 CROP DISASTER PROGRAM

The President has approved the Disaster Assistance Act of 1989, which provides for a program of disaster payments for all 1989 crops except nursery crops. The sign-up period will be held from September 15, 1989 through April 2, 1990. Interested producers should contact the ASCS Office at (408) 424-7377 to set up an appointment.

DISASTER CONDITIONS: Damaging weather which includes drought, hail, excessive moisture, freeze, excessive wind, or related conditions. Losses attributed to improper management are NOT eligible.

1989 LOSSES: Eligible producers shall receive payments when their calculated LOSS is greater than the following: (the calculated loss is based on production history and/or established yields.)

CROP	% LOSS
Participating Program Crops (grain) without crop insurance	40%
Participating Program Crops (grain) with crop insurance	35%
Non-participating Program Crops (grain)	50%
All other crops (non-program)	50%

INELIGIBLE PRODUCERS: A person, who has qualifying gross income exceeding $2,000,000 shall be ineligible to receive any disaster payment or forgiveness of advance deficiency payment.

REVISED ACREAGE REPORTS: Producers will have a limited time to revise their 1989 acreage reports.

HONEY PRODUCERS: Honey will be eligible for crop loss payments based on the difference between actual 1989 production per hive compared with historical production.

PAYMENT LIMITATION: A $100,000 limitation on total 1989 disaster payments and a combined limitation of $100,000 on total 1989 disaster payments and 1989 Livestock Feed Program benefits.

1990 CROP INSURANCE: Eligible producers with crop losses greater than 65 percent must agree to purchase multiperil crop insurance, if available, before payments are issued. Waiver conditions may apply.

FORGIVENESS OF ADVANCE PAYMENTS: Participating producers may request, in writing, to retain 1989 advance deficiency payments on eligible disaster losses of production.

PAYMENT CALCULATIONS: Payments will be computed using 65% of the applicable basic rate as established by the State Committee or by national procedure.

REPLACEMENT ACREAGE: The amount of disaster payment shall be reduced when the producer is able to plant and harvest a 2nd crop that replaces the crop for which disaster payments are received.

INFORMATION NEEDED: Producers must provide actual production evidence for the crop such as sales documentation or warehouse receipt. Please note that a weight tag or scale ticket by itself is NOT ELIGIBLE evidence. ASCS will measure farm-stored production.

CONSERVATION PLANS

Producers are reminded that they have less than 6 months to get a conservation plan approved for their highly erodible cropland. Plans must be approved by December 31, 1989. Those who do not have plans by 1990 will forfeit program benefits on all the land that they farm not just the highly erodible acreage.

ELIGIBILITY FOR PARTICIPATION IN ASCS PROGRAMS IS OPEN TO ALL APPLICANTS AS ESTABLISHED UNDER LAW WITHOUT REGARD TO RACE, COLOR, SEX, AGE, HANDICAP, RELIGION, OR NATIONAL ORIGIN.

U.S. DEPARTMENT OF AGRICULTURE
Monterey-Santa Cruz-San Mateo
County ASCS Office
Agriculture Business Center
635 South Sanborn Rd, Suite 6
Salinas, CA 93901

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TESTIMONY FOR
AGRICULTURAL HEARING ON
1990 FARM BILL
WINGATE COLLEGE, NOVEMBER 13, 1989

I appreciate the opportunity to testify on the concerns of the farmers in the Agricultural Hearing, Wingate College, November 13, 1989.

GENERAL:

Give farmers and self-employed people 100% deduction on hospital and medical costs. (We feel that if persons at public work have this benefit without being taxed, that others should have the same benefits)

We encourage the display, use and proper respect of our state and United States flags in public places, especially our schools, colleges, universitites, and public places that are county, state or federally funded.

We support the present six-day rural mail delivery and the small rural post office that serves a real need in the community.

We recommend reinstatement of investment tax credits, income averaging and capital gains treatment for farmers.

FIELD CROPS:

We favor the continuation of the concepts of the 1985 Farm Bill which provided for target prices, loan levels, deficiency payments, paid land diversion, and an export enhancement program.

We oppose cross-compliance and offsetting compliance requirements that prohibit farms participating in traditional ASCS programs.

We feel that the present level for disaster assistance for corn and soybean production is too low for effectively aiding the majority of farmers in the case of a major disaster. We feel that it should be high enough to cover production costs for these crops.

We feel that the ASCS yields should be up to date to put them in line with current production.

UNION COUNTY AG TESTIMONY

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We recommend limiting sales of contracts so that no company or corporation can corner the market per se: tightening of the audit to prevent selling more commodities on paper than there are actual commodities in storage, and estimated production for that year.

We recommend that common sense be used in all administration of pesticides and drug use, by the FDA or any other official authority.
(Farmers must have access to herbicides, pesticides, and drugs to produce grain and food products at a reasonable cost.

We feel like these are some of the most important issues and that they need to be considered at this time.

DONALD L DAVIS, PRESIDENT
Donald L. Davis
UNION COUNTY FARM BUREAU
MONROE, NC.

TESTIMONY FOR THE

HOUSE AGRICULTURE COMMITTEE
WINGATE COLLEGE
NORTH CAROLINA

NOVEMBER 13, 1989

My name is Edna Harris. I farm in Harmony, North Carolina. I am a dairy and tobacco farmer. I am a board member of the United Farmers Organization and the recipient of the Nancy Susan Reynolds award for service to my farm community.

Like the majority of farmers in North Carolina, I am over 50 years of age. Most of the active farmers who depend on farming as a living are over 59 years old. We have seen a lot of hardships but we are determined to stay on our farms.

A recent study done by N.C. State found that farmers who leave farming are much more likely to live in poverty than those who remain on the farm.

We older farmers are not like the young ones who can learn a new trade and start over when they move on. We can't sell out and start over. If we sold out, what would we do and where would we go?

Those street corners look mighty cold in winter. It doesn't seem right for people like ourseleves who have contributed all our lives to our communities and to feeding others, to have to go from our farms or be forced to move off them.

I hope that you, in writing the 1990 Farm Bill, will find a way to care for and protect the older farmers. We are as important as any natural resource. Our training and knowledge needs to be preserved and carried on. We hold our communities together through our church work and our neighborhood networks. Please way from your hearts and not from a balance sheet our futures.

Staying on our farms provides us with a home and a way to provide for ourselves. If we are homeless or if we are confined in city dwellings we will not survive.

When you write the 1990 Farm Bill, remember our senior citizen farmers. We recommend that you address the following issues:

1. The homestead protection that was created in the 1987 Ag Credit Act does not work well enough for older farmers. It requires rent or market value buyouts. Many of us will not earn enough with the low prices for our commodities to cover these costs adequately. Basing an unrealistic farm plan on 20 more years of production is also

not the answer to debt workouts or homestead arrangements. We need a special homestead law for farmers over 60 years of age, one that does not tie us into expensive lease or buyout agreements but does save the taxpayers money by not creating more homeless and jobless people who will need greater support from the goverment or perish.

2. The Federal Land Bank and PCA are charging very high interest rates in this area-13-15%, in spite of the fact that you gave the FCS much help in 1987-88. As farmers we are paying three times as much in interest as we are in principle and so we cannot hope to catch up on the ownership of our farms. Locally a business can borrow money at 9% interest to build or operate an amusement park, aren't our farms and older farmers worth the same kind of investment?

3. The shared appreciation agreements that FmHA is requiring with debt write downs, put the older farmers in impossible situations. More than likely we will be transferring the deeds to our farms to our children. But if these transfers occur than we may have to pay back to the government any appreciation on our property and that along with taxes leaves us little ability to pass it on the farm on.

4. Older farmers like all other family sized farmers could get the best improvement in our situation by getting a fairer price for what we produce. If we were getting equity for what we produce, we would need no handouts or special favors.

It is sometimes said that prevention is the best intervention. I urge you to look at the situation of our senior citizen farmers. Most of us have little in social security benefits coming to us though we have worked hard all our lives to provide food for others. We have been and can continue to be productive members of our communities. We deserve a fair shake.

Thank you for this opportunity to share my thoughts with the House Agriculture Committee.

Edna Harris
Rt. 1, Box 274
Harmony, N C 28634
704-546-2376

TESTIMONY FOR THE

HOUSE AGRICULTURE COMMITTEE
WINGATE COLLEGE
NORTH CAROLINA

NOVEMBER 13, 1989

My name is Harry Hart. I am a dairy and grain farmer in Bolton, North Carolina, Columbus County.

In making an effort to improve the 1990 Farm Bill, I would like to have my opinion of the "85 Farm Bill" heard. The best way to do this would be to tell you how it has affected me.

I bought our farm in 1979, after much research and gathering many opinions. There was not one person or institution that did not encourage me to purchase farm land.

After finding the farm we had to find financing. This was accomplished through the Federal Land Bank loan with a 65% first mortgage and the Farmers Home Administration lending 20% with a second mortgage.

Things went pretty much as planned. We cleared 400 acres, did a lot of development work, and made what was a cut over run down dairy into one of the best farms in the state.

Then the grain prices fell and land with it. Interest rates shot through the roof. I tried to get some relief from FmHA through a low interest loan, but they claimed none was available. In fact, they denied the existance of such loans, until January of 1987.

While I cleared this land I participated in the government programs. I stayed within my base acreage for program crops. As a result, my bases remained small, yet my neighbors stayed out of the program, planted hedge row to hedge row achieving a 100% base.

Now consider this: in the past 10 years I have participated, doing my part to hold down production, while some of my friends planted all they could. My complaint is this. Now that it is profitable to participate in government crop programs, I have only 200 acres of corn base while my neighbors who contributed heavely to the surplus by planting fence row to fence row, have a tremendous advantage over me by having 100% crop base. The end result was punishing those of us who cooperated with the government efforts to control over production while rewarding those who actually created the surplusses. This is not right and it should be addressed in the new bill.

Without any doubt Congress could help more farmers who need it the most, by reducing land mortgage rates. When the Land Bank, Cities and even Chrysler became fiancially shaky, the government stepped in with low or no interest money. The worst mistake Congress has made in the 87 Farm Credit Act was proping up the Land Bank without ensuring that the bank would do the same for the farmers.

The parable that Jesus told of the King who forgave the rich man a large amount of money only to see him grasp a poor man by the throat and demand immediate payment is a perfect illustration of the present Federal Land Bank credit policy. You have guaranteed the bank low or no interest money to guarantee their survival while they at this very moment are charging me 15½% interest.

Another short comming of the "85 Farm Bill" was that it did not force USDA to announce program rules in a timely fashion. Please consider the following event:

A farmer lived in an area where oats should be planted by September 30. This farmer having never planted oats, sought counsel from his local ASCS office about the base requirements, planting dates and reporting dates. He was told there was no planting restrictions and that the crop should be planted by September 15. The farmer trusting government advise planted 300 acres of oats and reported them as planted on September 30. On October 25, ASCS officials called the farmer to tell him that he was out of compliance, and that he will have to destroy 200 acreas of the planted crop. The farmer, after considerable thought began destroying his crop. While he was still destroying his oats, his wife received a call from the ASCS office informing her that they had just received the final program rules and that the farmer could keep all of the 300 acres planted. Their message was two months and about $9,000 to late. Anouncement of program rules should be published in a proper and timely manner, to enable the farmer to plant within his areas planting dates. This actually happened, and I am that farmer.

Another area to be considered for change is the milk market. The government spent billions of dollars over the years storing and managing the surplus dairy products. It would be a foolish mistake to fail to seize the present supply-demand situation. A lot of money and effort was made to acheive what mother nature and circumstance have given us as a free gift. We must act quickly to stop anything that could create the return of bordersum surpluses of dairy products. Careful consideration should be given concerning the FDA's approval of Bovine Growth Hormone (BHG). The use of this hormone would certainly return the surplus and drive many farmers into bankruptcy.

I would like to thank you for allowing me the opportunity to make my comments known. Running a dairy is probably the most demanding and restrictive occupations any where. With this in mind I am most appreative of this opportunity. Please give my comments some consideration.

Respectively submitted,
Harry J. Hart
Rt. 1 Box 456
Bolton, North Carolina 28423
919-655-8671

WRITTEN STATEMENT

SUBMITTED TO:

HOUSE AGRICULTURE COMMITTEE

FOR

FIELD HEARING

November 14, 1989
Wingate, North Carolina

BY:

THE LAND LOSS PREVENTION PROJECT

Thank you for the opportunity to submit written testimony concerning implementation of the Agricultural Credit Act of 1987 (Act). The Land Loss Prevention Project, Inc. (LLPP), a non-profit corporation founded in 1982 and dedicated to the interests of low income farmers and landowners, provides free legal assistance to low income landowners and financially distressed small farmers threatened with the loss of their land. LLPP also provides specialized legal support and consulting services to legal services attorneys, lay advocates and private attorneys on all aspects of farm credit law and land loss prevention. LLPP conducts state and regional training events and publishes training manuals. LLPP conducts community education events as well.

These comments were written by Anita C. Earp, Julia A. Woods and David H. Harris, Jr. Anita Earp is an attorney and a member of the LLPP Board of Directors. Julia Woods is Staff Attorney with LLPP. David Harris is LLPP Executive Director. Each individual primarily represents farmers seeking restructuring of Farmers Home Administration (FmHA) and Farm Credit System (FCS) farm loans and have had an opportunity to become familiar with the practical aspects of the Act.

Most of our comments deal with the Farmers Home Administration (FmHA). Our comments relate to problems encountered to date in the implementation of the Act, and we make some recommendations for the 1990 Farm Bill.

FARMERS HOME ADMINISTRATION

This committee is aware of the problems in recent years in FmHA's implementation of the Consolidated Farm and Rural Development Act (CFRDA). For example, FmHA for several years failed to properly enforce 7 U.S.C. § 1981a. This led to the Coleman v. Lyng litigation. Because of this failure to properly apply congressional mandates, it is important that Congress continue to carefully monitor FmHA's implementation of CFRDA and other statutes, including the Agricultural Credit Act of 1987 (Act).

Further, since the Act created several new provisions to aid in the survival of family farmers, it is imperative that the committee give careful scrutiny to any amendments to the Act proposed by FmHA.

Appeals

The Act created a new appeals system, including a separate appeals branch with independent hearing officers. This new system is a significant improvement over the previous appeals system. From our experience, the new hearing officers have made a concerted effort to be impartial and to properly apply the regulations. There is a gap in the Act, however, in enforcement. We have encountered cases in which the hearing officer reversed the county supervisor decision, entering a specific order, but the county supervisor failed to follow the mandate of the hearing officer. The county supervisor's failure to follow the order entered by the hearing officer frustrates the system and the borrowers. Aggrieved borrowers must file another appeal to obtain relief from this subsequent adverse action. This requirement causes delay in obtaining restructuring or other relief and encourages borrowers to give up pursuit of their rights altogether.

Mediation

If FmHA decides that a proposed restructuring plan will not work because of debts owed to non-FmHA creditors, the Act and the regulations require initiation of a mediation processs. North Carolina does not have a USDA-certified mediation program. In North Carolina, borrowers must request FmHA to set up a meeting of creditors. See 7 C.F.R. Part 1951, Subpart S, Exhibit E & Attachment 1. For most of 1988, in North Carolina most of the "mediators" were FmHA officials from outside the local district. This system of FmHA operated mediation had mixed success. The "mediators" were not always unbiased. Often they were clearly biased in favor of FmHA in the conduct of the meeting and the statements they made during the meeting.

In late 1988, FmHA in North Carolina hired an outside firm to provide mediators. It remains to be seen whether this firm, hired and paid by FmHA, will conduct creditors meetings in an unbaised fashion. FmHA in North Carolina has refused to utilize local available mediation services, such as the North Carolina Mediation Network, which has dispute resolution centers at many locations in North Carolina. Further, in 1988 when a study commission of the North Carolina General Assembly was studying the possibility of enacting a farm debt mediation statute, to establish a program that will become USDA-certified, the North Carolina FmHA State Director spoke to the commission in opposition to the adoption of such a statute.

Also troubling has been the county supervisors' role in the mediation process. The county supervisors should take a proactive role in reaching a settlement to satisfy the requirements of the Act and to satisfy the non-FmHA creditors. Many county supervisors have failed in this effort. County supervisors usually will input the entire amounts of non-FmHA debts as if the entire debt must be paid during the first year even though the debt is, by contract, paid on installment, and is not in default. This practice forces unnecessary creditors meetings. During the meetings, the county supervisors often do not adequately explain the mediation process to the creditors, leading to confusion and often inhibiting the reaching of a settlement. Also, they fail to provide guidence as to whether a proposals will meet FmHA requirements. We have been involved in several cases in which we spent several hours negotiating with creditors, reach a settlement, and FmHA later deny restructuring based on the DALR$ program printout. Had the county supervisors ran the DALR$ program earlier, during the mediation process, we may have reached an agreement with the creditors which would have met FmHA requirements.

Expense to Income Ratio

The restructuring process is often hampered by the use of a Expense to Income (E/I) Ratio. This ratio is used to determine whether a proposed restructuring plan is feasible, by comparing the expenses to income ratio under the proposed plan to the average E/I ratio to the past five years. This ratio has been used in several cases in artificially inflating expenses and thereby reducing the amount of money available to pay creditors under the plan and causing the disapproval of a restructuring plan. Many county supervisors do not consider changes in the farm operation or the fact that some past years were disaster years. The E/I ratio shoud be used as a guide, but it is presently used to deny feasible plans.

Other Problems in Debt Restructuring Process

There are other problems implementation of the debt restructuring provisions of the Act. FmHA officials frequently reappraise property at higher values when they learn that a farmer has managed to get a loan to buy out their loans at Net Recovery Value, with the purpose of increasing New Recovery Value beyond any bank's willingness to make a loan. County Supervisors routinely misrepresent provisions of the 1987 Act, including telling borrowers that, if they pay Net Recovery Value, they will still owe the remainder of the debt. At least one county office had sending cases to attorneys for foreclosure before borrower has exercised all of his rights under the 1987 Act. Some County Supervisors have freely disclosed the full amount that the borrower owes when a banker called seeking information regarding Net Recovery Value Buyout, but refused to disclose the amount of Net Recovery Value on the basis of "confidentiality." All of these practices have been routinely encountered in the state of North Carolina; none are uncommon.

Problems in the mediation system, the R/T Ratio and other aspects of the debt restructuring process is costing money to the government. Plans are being approved much later due to the delay caused by the initial denial and the subsequent appeals. Money and time is spent in apeals. There is a high reversal rate, indicating the need for local officials to improve their practices.

Net Recovery Value Buyout

FmHA is proposing that Congress make Net Recovery Value Buyout unavailable to farmers found to have acted in bad faith. We have very serious concerns with this proposal, especially in implementation. Under FmHA regulations, the County Supervisor makes the determination that a farmer is guilty of bad faith, which is defined as having failed to demonstrate honesty and sincerity in meeting the requirements of agreements with FmHA. This decision is often subjective and biased. Many alleged "conversions" are a result of oral, undocumented conversations between the local FmHA officials and the farmers. Although there may be safeguards, such as the requirement of a written opinion by the Office of General Counsel if the farmer is accused of conversion, fraud or waste and such as the availability of appeals, there is plenty of room for abuse, especially for illiterate farmers and persons who fail to pursue appeals.

Additionally, an act of "bad faith" may not warrant the loss of the farm. Acts of "bad faith" can include actions taken on the basis of a misunderstanding of FmHA's lien priority. FmHA does not follow lien priorities under state law, and confusion and disagreements regarding priorities are common. Furthermore, under present regulations, a farmer will be accused of "bad faith" if he refuses to sign additional agreements where he had previously agreed to do so or if he refuses to comply with an agreement with FmHA that he had refused to sign and that FmHA proceeded to sign on his behalf. In many counties, farmers have never been asked to sign the 1962-1 form, the "Agreement for Use of Security Property" that farmers accused of conversion are supposed to have violated. Instead, the farmer and the County Supervisor often handled such matters informally, often with approval of sales and security property being granted orally. Farmers have been stunned to learn that a sale of equipment completed years ago and approved by telephone is now the subject of an accusation of "bad faith" under an agreement the farmer never saw.

A farmer accused of "waste" will be in a similar situation. "Waste" can include a high mortality rate among livestock, which may be beyond the farmer's control and, in some cases, may have occured years ago, with no comment from FmHA.

FmHA has also proposed that Congress extend period of the Recapture Agreement that borrowers sign when they purchase the property at Net Recovery Value buyout from two years to 10 years. The economic basis for this proposal does not make sense. FmHA apparently feels cheated that it cannot get more money if property securing loans that are bought out appreciates in value.

The conceptual basis for Net Recovery Value is that FmHA will receive as much money as it could be expected to receive if it foreclosed. The calculation of Net Recovery Value must take into account the fair market value of the property less the expenses of foreclosure and should add or subtract the anticipated increase or decrease in value during the time that FmHA will have the property in inventory. As a rule, when FmHA forecloses, it does not keep the property for more than two years. Basic economics tells us that if property is appreciating in value, there are buyers who want to purchase the property. Where there are buyers who want to purchase the property, FmHA has no justification for keeping the property in inventory, since FmHA is not in the business of land speculation and therefore should not hold property only because it may increase in value. The only difference between foreclosure and Net Recovery buyout is that the original owner reaps the benefit of the increase in value of the property, rather than a future purchaser from FmHA inventory. FmHA has no reason to complain that it has not benefitted from the increase in the value of the property, since it could not expect to benefit in either case.

The proposal by FmHA implies that borrowers voluntarily select Net Recovery buyout. This implication is entirely false. Net Recovery buyout is only offered where restructuring is unavailable. The offer of Net Recovery buyout is entirely in the control of FmHA. The information that FmHA enters into the DALR$ program will determine whether the borrower is offered restructuring or Net Recovery buyout. FmHA's suggestion that borrowers have a choice in the matter is incorrect. If a borrower is offered restructuring of his loans and turn it down, he is not offered the opportunity to buy out the loans at net recovery value. FmHA should look to its own procedures for processing restructuring applications for an explanation for the high rate of Net Recovery buyouts, not to the borrowers who have no control over which offer they will receive.

FmHA is also proposing to extend the time for borrowers to exercise the Net Recovery Value options and to submit restructuring applications. We agree with this proposal and urge Congress to adopt these proposals. Both of the recommended extensions are eminently sensible for the reasons stated by FmHA and receive our wholehearted support. It is very difficult for farmers to obtain financing necessary to exercise Net Recovery buyout. The additional time is much needed.

FmHA also has proposed that debt write-down only be available for each borrower once in ten years. While FmHA correctly states that there is some likelihood that it will have to restructure borrowers more than once, the responsibility for any such occurrence lies with FmHA and farmers should not be penalized for it.

The reason why this scenario is likely to occur is because FmHA is making unreasonable restructuring offers on a take-it-or-leave-it basis with the only alternative being foreclosure. Typically, these restructuring offers include payments so high that a farmer is faced with the following dilemma: accept the offer and risk becomming delinquent when the payments cannot be made, or refuse the offer, appeal, and run the risk of losing the appeal and losing the farm. There is not regulation freezing the offer pending appeal. No one should be suprised when farmers accept these unreasonable offers and become delinquent in a few years. FmHA should be able to make a restructuring offer that a borrower can handle and should implement restructuring plans that result in borrowers becoming delinquent in a short time. Such plans will require careful work, including the anticipation of all the most extreme contingencies. This is necessary for debt restructuring to work.

There are a number of other reasons why FmHA borrowers may need restructuring within ten years for reasons beyond their control. Many FmHA borrowers are elderly, and may need further restructuring, for example, as a result of unanticipated health problems. In times of economic hardship, a farmer may lose a spouse, either to death or disability, and lose the spouse's off-farm wages; the same can occur with the farmer's children who had been living at home and helping pay expenses and provide labor.

FARM CREDIT SYSTEM

The debt restructuring provisions of the FCS portion of the Act have failed, due to the lack of specificity in the Act and FCS' refusal to implement the Act in good faith. This lack of good faith is evident in FCS attempt to use the public action portion of 12 U.S.C. § 2219a(d) to circumvent the right of first refusal provision of 12 U.S.C. § 2219a(b). See Leckband v. Naylor, No. 3-88-167 (D. Minn. 1988); Martinson v. Federal Land Bank of St. Paul, No. A2-88-31 (D.N.D. 1988).

FCS institutions have shown hostility to borrowers' rights at the local levels, making debt restructuring a rare occurrence.

To remedy these problems, we recommend revision of the borrowers rights sections of the Act to eliminate abuses and clear establishment of a private right of action to address violations of the Act by FCS institutions.

Submitted by:

Ted W. Luther

My name is Ted Luther of Rowan County, North Carolina. I am a dairyman. I want to thank you for giving me the opportunity to present my views before this Committee. By being in the dairy business for the past 25 years, I have experienced many of the ups and downs of dairying. Much of todays' dairy policy does not fit the modern-day dairy industry.

Many issues are being discussed as the dairy industry works on its portion of the 1990 Farm Bill. The most widely discussed topics seem to be supply management, milk price supports, and various items concerning Federal Milk Marketing Orders (FMMO). I am sure you will be discussing many of these items over the coming months. However, the dairy industry, like so many other industries often focuses on specific areas rather than the basic underlying issue. The basic issue is milk pricing, and many dairy farmers believe the dairy industry consistently has failed to address this basic challenge. Supply management and price support are important. However, the answers to these challenges will be easier to find if we have a market-oriented and equitable milk pricing system.

What is a market-oriented and equitable milk pricing system? It is one that prices milks based on their most valuable components as contained in products purchased by the consumer. Products such as fluid milk, cheese, yogurt, etc. You may have heard of this milk pricing system called Multiple Component Pricing (MCP): A milk pricing system that prices milk based on two or more milk components of greatest value which today are butterfat and protein.

The milk pricing system used in 39 of the 40 FMMOs which regulate the pricing of about 80% of the nation's Grade A milk production, is a skim-butterfat pricing system. All of us are familiar with how this system works. Basically it pays dairy farmers for the skim and butterfat contained in their milk. The skim portion of milk contains the nonfat solids such as protein, lactose, or calcium which are not valued. This skim-butterfat milk pricing system must be changed. It fails to meet the criteria for any pricing system. It is not market-oriented, it is not equitable, nor is it adaptable to the future.

By market-oriented, I am referring to a milk pricing system that gives dairy farmers clear economic signals to produce the kind of milk components processors and manufacturers need to profitably and efficiently provide consumers with the kind of dairy products they demand and use. We in the dairy industry must never forget that it is the consumer, the person that buys that jug of milk and chunk of cheese who provides all of us with our livelihoods. The consumer is the ultimate judge who will determine if the dairy industry will prosper or perish.

What kind of milk components are consumers telling us to produce? The answer is found by examining dairy consumption statistics. It most certainly is not the kind of dairy products consumers were buying even 20 years ago. Consumers are drinking more lowfat and skim milk than whole milk. Since 1970 per capita consumption of lowfat and skim milk has more than doubled. Per capita consumption of whole milk has decreased over 50%. Consumers are also telling us they want more manufactured products, especially cheese. 62% of the nation's milk supply goes into manufactured products. Cheese consumption has more than doubled in the past 15 years. The largest increase has been in the non-American varieties, cheeses that contain less fat like mozzarella. Most dairy experts predict these consumption patterns to continue.

With these trends in mind, the nonfat portion of milk where the protein, calcium, and other nonfat solids are is of great importance for two reasons:

1. The nonfat or skim portion of milk is supplying more of milk's nutrition and taste due to the increased consumption of lowfat and skim milk.

2. In most manufacturing products, the nonfat solids are the main determinant of yield.

These changing consumer preferences and the greater economic value of milk's skim portion is recognized by USDA. The last two milk price support adjustments increased the economic value of the skim portion of milk relative to fat.

Based on consumer purchases and the importance of nonfat solids, one would think dairy farmers would be encouraged to increase the nonfat solids portion of their milk. One would think they would be given the economic incentive through the milk pricing system to produce the milk components consumers are demanding. Unfortunately, this is not the case with our current skim-butterfat milk pricing system. It tells the dairy farmer to produce one thing, more skim or more volume with little or no regard for the solids contained in that milk, while consumers are telling us they want the opposite. Such a system is inefficient and not in the best interest of the dairy industry.

With the heightened consumer awareness in nutrition, especially in dairy products which is evident by the dramatic shift from whole milk to lowfat and skim milk and the increasing consumption of low fat cheeses, it is quite ironic that millions of dollars of dairy farmers and processors money is spent each year on promoting the nutritional value of milk. Yet, the skim-butterfat milk pricing ignores the changing consumer preferences which the producers and processors are fostering with their promotion dollars.

There is no question that the time has come to revamp our pricing system so that we recognize the components in the skim portion of milk. It is essential we give dairy farmers the economic incentive to produce components in the skim portion of milk that have nutritional and economic value. The milk pricing system must recognize changing consumer demand, the nutritional value of milk, and be in tune with what the dairy industry is marketing and promoting.

The rational, business-like way is to use sound economic principles to the advantage of the producer, the advantage of the processors and to the ultimate benefit of the consumers. We must let economics - not tradition - guide our milk pricing system. Our milk pricing system must be responsive to the consumer. It must be market-oriented. When one also considers technologies such as reverse osmosis and ultrafiltration and their future implications, it is even more imperative to have a market-oriented milk pricing system. Plus, a pricing system that can adapt to future technologies and change.

The second criterion of any milk pricing system is that it must be equitable to both the milk seller and milk buyer. Under skim-butterfat pricing, a dairy farmer is paid the same for the skim portion of milk whether it contains two pounds of protein or three pounds of protein. In fact water receives the same price as protein! A type of milk pricing system that allows such a practice is neither equitable to the seller or buyer, nor good for the dairy industry.

Few agricultural products are purchased or sold in which products with different nutritional analysis have the same price. Does a dairy farmer pay the same price for a 20% protein feed as a 16% protein feed? Why should milk be priced any differently? Why should a dairy farmer who produces a milk with greater economic value be paid the same price as one who produces a milk with less economic value?

A MCP system will correct the two shortcomings of our skim-butterfat milk pricing system. A MCP plan that prices milks based on their most valuable components which today are butterfat and protein, is market-oriented and equitable. Such a system sends a clear signal to dairy farmers to produce the kind of milk consumers are demanding. MCP is also fair to both the dairy farmer and milk buyer. The response to an MCP system is greater efficiency and profitability in the dairy industry. As dairy farmers produce the milk components demanded by the industry, milk plant efficiency will improve as a result of increased product yields. Our fluid customers will receive a better bottle of milk, one higher in nutrition and taste. This will lead to higher producer prices, increased dairy sales, and provide consumers with reasonable dairy product prices.

MCP is not an untried or unused concept. It has proven itself. This past July 1, 1989, saw most dairy companies in Australia and New Zealand implement MCP plans. The Ontario, Canada Milk Marketing Board announced they will adopt a MCP plan August 1, 1991. To the south of us in Central America, the self-sufficient country in dairy production, Costa Rica has MCP. The United States and Canada are the only major dairy producing countries without mandatory MCP.

Here in the U.S., the state of California has used a MCP plan since 1962. And USDA reports that, nationwide, over one-half (51.56%) of all Federal Order producers are eligible to participate in voluntary MCP programs. These MCP plans are found in 27 states. About 70% use protein while the rest use SNF as the second component in addition to butterfat. If we include the non-Federal order producers (such as California and manufacturing producers), then over 60% of the nation's milk supply is eligible to be priced under MCP. 60%!

April 1, 1988, saw the first FMMO, the Great Basin which covers all or parts of Idaho, Nevada, Utah and Wyoming, implement a MCP plan. Under this plan, producers are paid based on three factors. First, they are paid for their total pounds of protein at a producer protein price per pound. Second, their total pounds of butterfat at a butterfat price per pound. Third, their total hundredweight of production at a weighted average differential price per hundredweight. This weighted average differential represents each producer's share of the Class I and II fluid differentials. The Great Basin plan has a method of handling Class I milk which insures fluid handlers maintain equal raw product costs under MCP.

The administrator and staff of the Great Basin say they have yet to receive a single complaint from any producer or handler concerning the MCP system.

Besides the Great Basin, there is interest in implementing MCP in other FMMOs. This past April saw MCP on the docket at the hearing to consider a FMMO for North and South Carolina. The major cooperatives in the Eastern Ohio-Western Pennsylvania, Middle Atlantic, and Ohio Valley FMMOs have drafted proposals to implement MCP in their respective orders. They are actively proceeding with the process. In addition, there is strong interest by the major cooperatives in other orders.

As you can see, much progress is being made toward moving from the traditional skim-butterfat pricing system to MCP. We must go forward even quicker to see that MCP is implemented in all FMMOs because we must have a market-oriented and equitable milk pricing system.

After careful study and discussion, many of the nation's national dairy organizations are on record supporting MCP. Among these are: The Holstein Association of America, The National Milk Producers Federation, National DHIA, American Farm Bureau Federation, United States Cheesemakers Association, and four other dairy breed associations. Many of your members are members of these organizations. The National Commission on Dairy Policy included a positive statement on MCP in its report. The Bridge Report, which had input from experts in dairy marketing, medicine, and nutrition and bridged the latest nutritional information on fat, cholesterol, and other health issues into a marketing plan for the whole dairy industry, addressed MCP. The report recommended, "USDA should consider encouraging all FMMOs in the country to adopt a component pricing plan for paying producers."

Multiple Component Pricing is sound economically. It is fair and equitable to all segments of the dairy industry. It will help make the dairy industry more profitable. Most importantly, MCP is responsive to the consumer - the person who keeps us in business.

I would encourage you as members of the House Ag Committee to include a provision in the 1990 Farm Bill to include Multiple Component Pricing in all Federal Milk Marketing Orders.

TESTIMONY FOR THE HOUSE AGRICULTURE COMMITTEE

WINGATE, NORTH CAROLINA
NOVEMBER 13, 1989

by

GEORGE MCAULEY

My name is George McAuley. I have been farming for most of the last 57 years near Statesville, NC. I have served on the state Holstein Board for six years, am an officer in the United Farmers Organization, and am a director of the local Farm Bureau board. I sell milk and beef.

I want to thank the Agriculture Committee for holding this public hearing in North Carolina to hear the views of farmers on the 1990 Farm Bill issues.

It is difficult for small dairymen like myself to qualify for many of the current government subsidy programs. I don't have enough land to set aside. All the crops I grow go back into the cows as feed. Very seldom do I have any to sell so my base is low.

I would be better benefited by higher prices for what I produce. If the dairy farmer were receiving a fair price we all would benefit regardless of our size.

The present policy on support prices is confusing. We farmers are getting less because we are told that there is a surplus of milk, yet our local welfare and social services offices say that there is no surplus milk or cheese to give to the hungry.

Consumers are not paying less for the milk they buy from retailers, even though the price the farmer gets for his milk has dropped.

The government buys our milk at a lower rate for the military. This bothers me because I don't see the military paying less for screwdrivers and other equipment to military contracters. Yet the farmer is subsidizing the purchase of milk for miltary purposes. I think that Congress should see that the government buys our milk at a fair price.

To give you an idea of how much the income for my milk has dropped I want to let you know how much milk it takes me now to buy equipment compared to what it took in the late forties. A 40 hp tractor cost $1830 when I bought it in 1949. That was the value of about 9000 gallons of milk at the 1949 price. Today a tractor of the same horse power costs $14,000 and increases in my milk price have not kept up with the equipment costs increases, so it takes 23,000 gallons to buy that tractor today. The tractor will come from a foreign country.

With these kind of prices, it's no wonder that farmers are going out of business so fast. I just received a sale folder for a neighbor. This may has the highest herd average for Jerseys in the state of North Caroina. But at age 59 he is selling out to do something more profitable with his farm. In 1950 there were 5000 dairy farmers in this state. Today there are only 800 left. There are almost no minority dairy farmers in the state and very few young people are able to carry on the family business. There is no way a young person can enter dairy farming unless he or she takes over a family farm.

Along with the farmers going out of business, we are losing other local businesses. I now have to drive to another county to get equipment parts. The John Dere dealer in the area finds it more profitable to carry lawn mower parts than to carry plow points. A farmer not only feeds 70-100 people but he also provides jobs for 40-70 others.

Congress can do effective economic development for our rural areas by improving prices so that family farmers can boost the rest of the local economy. One way is for you to increase the support price. The companies who are the major buyers of our milk will only pay what they have to. If you raise the support price level, their payments to farmers will follow suit.

I am part of a grassroots movement of farmers who have come together to develop new dairy legislation. We have worked together across regions of this country to make a dairy bill that will serve the working, family sized farmer and the nation.

Some of the things we would like to see you do in the 1990 farm bill are:

1. Increase the base price for milk.

2. Manage supply on an annual base allocation.

3. Create an elected regional farmers board.

4. Give farmers the right to vote on the program on both the national and regional levels.

5. Establish the national inventory needs based on domestic, export and emergency use. This base should include needs for hunger programs and other government programs such as the military at a fair price to the farmer.

Iredell County is the largest dairy county in this state. In addition to the concerns I have already mentioned, we are very concerned about biotechnology and what that will do to affect our livelihood. Our Iredell county Farm Bureau and our local UFO chapter oppose the use of BgH, Bovine Growth Hormone. We think BgH will increase milk production, but not increase farmers or farmers' chances of surviving. We think it will make rebreeding difficult, that there may be health hazards from the milk and that a lot of money will go to corporations like Monsanto who have big investments in this technology. We ask you to join us in urgin the FDA to reject the use of BgH.

Thank you very much for this opportunity to address this distinguished committee.

George McAuley
Rt 18, Box 281
Statesville NC 28677
704-876-1212

TO: Congressman William "Bill" Hefner

SUBJECT: Comments for the House Agricultural Committee
Relating to the Formulation of the 1990 Farm Bill

FROM: R. Lynn McCaskill, Chairman
Region H Resource Conservation and Development Council

DATE: November 16, 1989

Dear Committee Members:

I am Lynn McCaskill from Richmond County, N.C. I am a pharmacist and owner and operator of Ellerbe Pharmacy in Ellerbe, N.C. Ellerbe is a small rural town with a population of 1,800 people. It is not unlike numerous other small towns and rural communities across our nation. It is struggling to exist and survive the changes of today's society. I chair a Resource Conservation and Development Council which is composed of a very diversified group of citizens. We have professional educators, a minister, a CPA, farmers, a nurseryman, a recreational equipment dealer, a N.C. Wildlife Commissioner, a banker, a manager of a rural electric corporation, a railroad supervisor, a textile plant owner and operator and a farm equipment dealer. Our ages vary from 40-76 years old, we are male, female, black, white and some physically handicapped. Over the years the Department of Agriculture has attempted to address rural development, rural enterprising, rural infrastructures just to mention a few of the idealogies that have germinated from hours of study and planning by the many USDA agencies assigned rural development responsibility and funding to support it. We are not a USDA agency but a group of concerned citizens whose purpose is to improve the economy, the environment and standard of living of the communities we serve on a voluntary bases. Over the years we have made a lot of progress in rural development by helping people help themselves and not at a total cost to the government. Our projects have varied according to needs of the community. It may have been an energy savings demonstration, an aquaculture workshop, a community effort to solve a flooding problem of homes and businesses, the development of an industrial park, a community park to provide recreational opportunities, just to mention a few of the projects that RC&D Councils across our nation have undertaken during the last 25 years. Unfortunately, we have received little credit and publicity for these very worthwhile projects. One of the reasons is our lack of a nationwide network of RC&D Councils.

Historically, we have received a meager amount of support from USDA through the Soil Conservation Service budget - $25 million annually for the total RC&D program nationwide. This small appropriation has been used by councils for the employment of a coordinator and part-time secretary. A small amount has been used to provide cost-sharing for innovative rural development projects and demonstrations. However, there is not enough funding to allow for the development and support of RC&D councils nationwide. We would like to see this support by the Department through the

Soil Conservation Service expanded. We would ask that you look at our program efforts and compare the cost of supporting our rural development program to that of the department's agencies who have been given rural development responsibilities over the last 25 years.

RC&D council members who bring community leaders, business people, educators and local citizens together so they can identify and attack local community problems would like to be the rural development carrier in the 1990's. This will not be a federal agency leading but a group of lay people leading with the support of the U.S. Department of Agriculture.

Thank you for your past support and the opportunity to comment on behalf of the citizens of our four county project area.

Sincerely,

Lynn McCaskill

Lynn McCaskill

Chairman

DRAFT PROPOSAL 6/30/89

NATIONAL DAIRY ACT

This discussion draft of a National Dairy Act is being proposed by a coalition of farmers from different regions of the country. The goal of this program is to establish a long-term supply management system which is controlled by farmers. The program is based upon the principles of fair market prices, targeting to family-sized farms, and regional equity.

The program is designed to establish an overall national supply management system which has general provisions that cover all farmers, and allow those regions that wish to do so to establish a regional program which is more detailed in its provisions and more closely controlled by farmers in that region. In drafting this proposal we believe that there is merit to designing a program that allows regions to exercise a fair level of local decision-making on key family farm targeting issues, while still preserving the basic goals in all regions of the country.

Nothing in this bill shall be interpreted in such a way as to impose any economic hardships on family dairy farmers whose total milk production in any consecutive 12-month period is less than either; a) 1.5 million pounds; or, b) less than 25 percent of the average production of his or her region, whichever is greater.

SECTION I: ESTABLISH A FAIR BASE PRICE

A. A national base pricing system will be established. The milk support price for milk produced within a producers annual base will be set a 75% of parity, and will increase by 3% of parity each year for the next five years. The Federal Milk Marketing Order System will remain in place. Price differentials will be reviewed by the National Dairy Board to determine if they accurately reflect current production and transportation costs.

B. No region or federal order system in the country will be allowed to develop and maintain a class of milk priced below the federal support price.

SECTION II: FARMER CONTROL THROUGH FARMER-ELECTED REGIONAL AND NATIONAL DAIRY BOARDS

A. Local Administration of Supply Management Programs

County ASCS Committees will be responsible for local administration of the regional supply management programs. Dairy producers in each county will elect a separate Dairy Committee who are active dairy producers. This Dairy Committee will be responsible for decisions concerning base allocation and appeals. Counties that have fewer than five active dairy producers shall join with other counties in order to compose an adequate Dairy Committee. This combined Dairy Committee will serve dairy producers in the combined counties.

This committee shall consist of three dairy farmers with one year terms, limited to two consecutive terms.

B. Farmers in each region will elect a regional Farmer/Consumer Dairy Board to develop and supervise the administration of programs and referendums under this Act. This Board will also monitor and review price increases at the retail level. This board shall consist of six active dairy farmers and three consumers. Members of this board shall serve 3 year terms limited to 2 consecutive terms. The first election shall be implemented on a staggered basis. Nominations and voting will be based on ASCS procedure.

1) In order to protect their producers, regional Dairy Boards shall administer the national supply management program. Any additional provisions that are appropriate to their region must be approved in a referendum by a majority of producers in that region. No bloc voting will be permitted. Regional programs must follow strict guidelines to provide for family farm targetting, entry of beginning farmers and non-monetary transfer of base between farmers.

C. Representatives to the Regional Dairy Boards will annually elect, from their own ranks, a National Dairy Board, which will provide general oversight to the administration of the national dairy program. The National Dairy Board will monitor CCC and ASCS actions and can review changes in program regulations, will serve as the final level of appeal, and will annually determine the estimated production levels needed to balance national dairy production and demand. This board shall consist of one farmer member from each region. Funding for all dairy boards will be the responsibility of USDA through ASCS.

SECTION III: NATIONAL REGIONALIZATION AND REFERENDUM

A. The Secretary shall divide the country into not less than seven and not more than eleven regions based on historical production and marketing patterns, subject to the approval of the National Dairy Board once it is established.

B. The Secretary shall conduct a referendum within 30 days after the date of enactment, by secret ballot, of all milk producers engaged in milk production for commercial use, in the U.S. to determine whether a majority of dairy producers support the implementation of the national supply management program. No bloc voting will be permitted.

1) The continuation of the national base program will occur unless Congress approves a Joint Resolution of disapproval prior to July 1, 1995. This measure will not make it necessary for repeated national referendums of dairy producers on the program.

C. Production Year - The annual production year shall be based on a calendar year that begins on July 1 and ends on June 30th

SECTION IV: ANNUAL BASE ALLOCATION

A. The National Dairy Board will make an annual determination of the amount of increase or decrease in production which is needed to meet the projected demand for dairy products in the next year, allowing for the required CCC purchases for existing food programs, government usage, and adequate supplies for food reserves.

B. Regional Production Bases - A regional production base will be established for each region based on the sum total of the national base of its producers.rs.

For the first year of the program in case of increased or decreased national demand, regions will share the increase or decrease equitably. All future increase or decrease in demand will be allocated to the region where the increase or decrease is required. The term "Demand" is defined as the processor demand for raw milk in the region."

C. Initial Transition Period - To allow for appeals and special circumstances during the first two years of the program, 1% of the total national base will be allocated for use in appeals and emergency base adjustments. During this transition period, producers in regions which have held production within their regional base will not have their base reduced by more than this one percent.

D. Individual Producer Caps - Every region shall set an individual producer cap based on the economic and production needs of that region. Existing bases shall not be reduced, but no new or returned base will be allocated to producers whose existing base exceeds that cap.

Section V: ESTABLISHMENT AND TRANSFER OF PRODUCTION BASES:

A. Individual Bases
Each existing producer will receive a production base equal to either:

1) their previous year's production, or;

2) the average of their last five years of production, after eliminating the high and low years.

B. Transfer of Production Bases Between Producers

1) When a producer ceases their dairy operation their production base reverts to the county pool

2) Production bases may not be sold or leased except in regions where "class I monetary bases" have previously been established. Transfer of these class I bases must be in accordance with the provisions of this bill.

3) Producers in regions which are in a deficit supply situation may arrange for temporary base exchanges (up to one year) between producers in order to maintain a stable production base for that region.

C. Allocation of New or Returned Base

Allocation of new or returned base shall be in the following order:

1) Transfer of bases between family members shall not be restricted. Family members shall be defined as spouse, parents, siblings, children, and grandchildren.

2) First priority in allocation of base will be to "new milk producers" purchasing the production units (i.e., cows and/or farm). The term "new milk producer" means someone who has no milk marketing history and/or someone who has returned their base to the county pool.

3) To beginning dairy farmers in a county (at least 25% of all new and returned base must be offered to beginning milk producer). The term 'beginning milk producer' means a milk producer who is in the process of establishing a milk production operation and who has not assumed the full control and risk of such operation for longer than 5 years.

4) To existing producers in a county below the regional producer cap who apply for it equally.

5) An agricultural commodity producer in the county, except that in the case of a county in which at least 5 percent of the agricultural producers are members of socially disadvantaged groups (as defined by the Small Business Administration) and have farmers who are or have expressed interest in being "new or beginning milk producers", the county committee shall transfer to these producers a percentage of the milk marketing base that is at least equal to the percentage of the agricultural producers in the county who are members of the socially disadvantaged group.

6) If a county is unable to allocate new or returned base to producers within that county, that base may be allocated by the regional Dairy Board to qualifying producers within the state, and finally to qualifying producers within the region.

7) If a region is unable to allocate new base to qualifying producers within the region, that base will be distributed equally among other regions.

8) No new or returned base shall be allocated to non-farm corporations and non-farm absentee investors. A non-farm corporation is defined for purposes of this bill as anyone who has greater than 50% of their gross annual earnings derived from other than the sale of raw milk.

9) Dairy producers who participated in the Dairy Termination Program may reenter the dairy business as new or beginning dairy producers.

SECTION VI: OVERBASE PENALTY

A. Milk produced in excess of a producer's annual base will be assessed a levy which will reduce the actual price received for excess production to 25% of the support price.

B. The National Dairy Board shall have sole authority to increase the penalty costs which shall apply to all regions equally.

C. All support price penalties due to overproduction shall be directly allocated for purchase of dairy commodities for government food assistance programs.

SECTION VII: COMMODITY CREDIT CORPORATION/DETERMINATION OF INVENTORY.

In determining total national milk inventory levels, CCC purchases will be calculated on net CCC purchases pounds of milk equivalent less CCC pounds of milk equivalent sold either to the commmercial market or to government programs. CCC purchases used in government programs will be considered a part of the "National Utilization".

SECTION VIII: FOOD RESERVES AND COMMODITY DISTRIBUTION PROGRAMS

Adequate emergency reserves of dairy products will be maintained to support necessary long-term and emergency food relief programs, and these reserves will not be considered to be surplus production. This level is determined to be not less than 3 billion pounds milk equivalent.

(Attachment follows:)

Table 2—Support and average prices for manufacturing grade milk production, market removals, and net government expenditures 1/, since 1949

Marketing Year (Except as noted)	Manufacturing grade milk: Support level: Percentage of parity equivalent	At 3.5% milkfat	At nat'l. average milkfat test	National average milkfat test	Price received by farmers at average test	Total milk production	USDA net market removals (milk equiv.) 2/	Net expenditures on dairy price support & related programs 3/
	4/ 5/	$/cwt.	$/cwt.	Pct.	$/cwt.	Bil. lbs.	Bil. lbs.	Mil. dol.
1949: Feb. 8-Dec. 31	90		3.14		3.14		2.5	188.1
1950-51								
1/50-3/51	81		3.07		3.35	116.2	3.7	-50.0
Apr.-Mar.								
1951-52	86	3.23	3.60	3.97	3.97	114.3	6/	9.1
1952-53	90	3.69	3.85	3.95	4.00	116.5	3.6	300.0
1953-54	89	3.43	3.74	3.89	3.46	121.8	11.3	476.4
1954-55	75	2.89	3.15	3.88	3.15	[illegible]	[illegible]	257.4
1955-56	80	2.89	3.15	3.87	3.19	124.6	5.1	284.2
1956-57								
Apr. 1-17	82	2.91	3.15	3.85				
Apr. 18-Mar. 31	84	3.00	3.25	3.85	3.31	124.7	5.1	331.1
1957-58	82	3.02	3.25	3.83	3.28	126.3	6.8	360.0
1958-59	75	2.85	3.06	3.80	3.16	123.2	3.5	231.3
1959-60	77	2.86	3.06	3.79	3.22	122.7	3.6	219.2
1960-61								
Apr. 1-Sept. 16	76	2.86	3.06	3.78				
Sept. 17-Mar. 9	80	3.02	3.22	3.78				
Mar. 10-Mar. 31	85	3.20	3.40	3.78	3.30	123.2	3.3	281.3
1961-62	83	3.20	3.40	3.77	3.39	125.3	11.2	612.0
1962-63	75	2.93	3.11	3.76	3.19	125.8	8.8	485.5
1963-64	75	2.99	3.16	3.72	3.24	125.2	7.5	379.1
1964-65	75	3.00	3.15	3.71	3.29	126.9	8.2	385.6
1965-66	75	3.09	3.24	3.71	3.45	122.2	2.9	229.1
1966-67								
Apr. 1-June 29	78	3.35	3.50	3.70				
June 30-Mar. 31	89	3.84	4.00	3.70	4.11	119.8	2.7	170.8
1967-68	87	3.85	4.00	3.69	4.07	118.2	7.0	417.7
1968-69	89	4.13	4.28	3.69	4.30	116.6	6.8	329.6
1969-70	83	4.13	4.28	3.68	4.55	116.2	4.4	273.1
1970-71	85	4.51	4.66	3.68	4.76	117.4	7.1	383.5
1971-72	85	4.79	4.93	3.67	4.91	119.4	6.6	369.9
1972-73								
Apr. 1-Mar. 14	79	4.79	4.93	3.67				
Mar. 15-Mar. 31	85	5.17	5.29	3.67	5.22	119.1	4.9	254.6
1973-74								
Apr. 1-Aug. 9	75	5.17	5.29	3.67				
Aug. 10-Mar. 31	80	5.49	5.61	3.67	6.95	114.9	0.7	77.0
1974-75								
Apr. 1-Jan. 4	81	6.45	6.57	3.67				
Jan. 5-Mar. 31	89	7.10	7.24	3.67	6.87	115.6	2.4	318.7
1975-76								
Apr. 1-Oct. 1	79	7.10	7.24	3.67				
Oct. 2-Mar. 31	84	7.59	7.71	3.67	8.12	116.4	0.9	258.9
1976-77								
Apr. 1-Sept. 30	80	7.95	8.13	3.67				
Oct. 1-Mar. 31	81	8.07	8.26	3.67	9.52	120.9	3.6	302.4

Table 2 (continued)--Support and average prices for manufacturing grade milk production, market removals, and net government expenditures 1/, since 1949

Marketing Year (Except as noted)	Manufacturing grade milk: Support level: Percentage of parity equivalent		Support level: At 3.5% milkfat	Support level: At nat'l. average milkfat test	National average milkfat test	Price received by farmers at average test	Total milk production	USDA net market removals (milk equiv.) 2/	Net expenditures on dairy price support & related programs 3/
	4/	5/	$/cwt.	$/cwt.	Pct.	$/cwt.	Bil. lbs.	Bil. lbs.	Mil. dol.
Oct.-Sept.									
7/1976-77									
Oct. 1-Mar. 31	81		8.07	8.26	3.67				
Apr. 1-Sept. 30	82	82	8.79	9.00	3.67	8.65	122.2	6.9	714.3
1977-78									
Oct. 1-Mar. 31	82		8.79	9.00	3.67				
Apr. 1-Sept. 30	86	80	9.21	9.43	3.67	9.30	121.7	3.2	451.4
1978-79									
Oct. 1-Mar. 31	80		9.66	9.87	3.67				
Apr. 1-Sept. 30	87	78	10.51	10.76	3.67	10.86	122.5	1.1	250.6
1979-80									
Oct. 1-Mar. 31	80		11.22	11.49	3.67				
Apr. 1-Sept. 30	86	79	12.07	12.36	3.67	11.75	127.7	8.2	1,279.8
1980-81	80		12.80	13.10	3.67	12.71	131.7	12.7	1,974.8
1981-82									
Oct. 1-Oct. 20	75		13.18	13.49	3.67				
Oct. 21-Sept. 30	72.9		12.80	13.10	3.67	12.66	134.7	13.8	2,239.2
1982-83	69.1		12.80	13.10	3.67	12.66	138.8	16.6	2,600.4
1983-84									
Oct. 1-Nov. 30	66.9		12.80	13.10	3.67				
Dec. 1-Sept. 30	62.4		12.31	12.60	3.67	12.57	134.7	13.4	1,534.6
1984-85									
Oct. 1-Mar. 30	59.1		12.31	12.60	3.67				
Apr. 1-June 30	56.8		11.81	12.10	3.67				
July 1-Sept. 30	54.4		11.31	11.60	3.67	12.08	140.2	11.5	2,185.0
1985-86	54.0		11.31	11.60	3.67	11.31	143.1	12.3	2,416.5
1986-87									
Oct. 1-Dec. 31	54.1		11.31	11.60	3.67				
Jan. 1-Sept. 30	52.9		11.07	11.35	3.67	11.42	141.4	5.4	1,237.5
1987-88									
Oct. 1-Dec. 31	51.9		10.82	11.10	3.67				
Jan. 1-Sept. 30	49.6		10.33	10.60	3.67				

1/ Expenditures shown as follows: 1949-50 through 1963-64, fiscal year (July 1-June 30); 1964-65 through 1976-77, marketing year (Apr. 1-Mar. 30); 1976-77, 12-month period (Oct. 1-Sept. 30, 1976-77); 1977-78 to date, marketing year (Oct. 1-Sept. 30). 2/ Price support, Section 32, Section 709 and Section 4(a) purchases (delivery basis) of butter, cheese, nonfat dry milk, evaporated milk and dry whole milk, plus exports on which CCC issued payment-in-kind certificates, less CCC sales for unrestricted use. 3/ Net expenditures to CCC plus domestic and foreign donation expenditures. For 1964-65, includes costs of military milk program, and through 1965-66, the payment-in-kind export program. Includes costs of dairy products bought at market prices under Section 709 of the Food and Agriculture Act of 1965 in 1966-67, 1969-70, 1970-71, 1972-73 and 1973-74. Also includes costs of dairy products bought at market prices under Section 4(a) of the Agriculture and Consumer Protection Act of 1973 in 1973-74 and 1974-75. 4/ As of the beginning of the marketing year. 5/ As of April 1. 6/ Less than 50 million pounds. 7/ For 12-month comparative purposes.

THE NORTH CAROLINA AGRICULTURAL EXTENSION SERVICE'S NUTRITION EDUCATION RESPONSE TO HIGH INFANT MORTALITY RATES IN NORTH CAROLINA

Written testamony submitted by the North Carolina Agricultural Extension Service, Barbara K. Garland, MPH, Ph.D. and Carolyn J. Lackey, Ph.D., R.D. Extension Specialist

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The customary way of judging a community's ability to provide for the well being of its members is to examine the infant mortality rates. Although these rates serve less well as they drop from hundreds of deaths per thousand to ten or below, they do reflect the general health of the most vulnerable segments of the population and thus serve as an indicator of the health of the larger group.

While overall infant death rate for the United States is among the highest for the industrialized nations. North Carolina's infant mortality rate continues to be close to the highest in the U.S. Comparisons between the United States and two countries having low infant death rates, (Norway and Sweden) indicate that the low birth weight rates account for the differences in infant mortality in the two countries. Nonwhite infants die at twice the rate of white infants. When only whites are considered, the United States infants are still at higher risk for both low birth weight and infant mortality.

In 1986, the last year for which final figures are available from both North Carolina and United States, North Carolina's overall infant mortality rate compares most unfavorably with the rest of the country; 10.4 to 11.5 per thousand infants born, respectively, with only eight states having a higher rate.

It should be noted that nonwhite births in the United States population comprise 21 percent of the total, and nonwhites have almost twice the infant mortality rate of the white group. In North Carolina, 31.6 percent of the births are to nonwhite mothers. This means that comparisons between United States and North Carolina rates can be misleading unless rates are compared separately for the white and nonwhite populations, because of the high percentage of nonwhites.

This in no way excuses the high infant mortality rates in North Carolina. Studies show that socio-economic status is a major determinant of low birth weight infants and thus for much of the infant mortality among the state's black population. at 100% of the poverty level approximately 27% of all the pregnant women receive care through the public sponsored prenatal clinics in North Carolina. Nonwhite infants had almost twice the infant, neonatal and postneonatal mortality as did white infants. Teenage pregnancies also account for much of the low birth weight problems.

Table I

INFANT, NEONATAL, AND POSTNEONATAL MORTALITY RATES
FOR NORTH CAROLINA AND UNITED STATES

	Infant Mortality (under 1 yr.)	Neonatal (28 days)	Postneonatal (28 days-1 yr)
North Carolina, 1988			
White	9.6	6.4	3.3
Nonwhite	18.7	11.5	6.9
Total	12.6	8.1	4.5

Preventing low birth weight infants and ensuring the growth and development of infants and young children making available adequate calories and essential nutrients commonly lacking in the diets of many disadvantaged women and children as well as eliminates the pregnant woman's use of substances known to limit interuterine growth and therefore low birth weight.

Most infant mortality occurs among low birth weight infants. Women who have themselves been nutritionally deprived or who fail to gain an adequate amount of weight during pregnancy tend to deliver low birth weight infants (2500 grams - 5.5 pounds - or less). Failure to gain weight adequately during pregnancy may be due to gestational complications, insufficient caloric intake, or tobacco, alcohol or other drug use. Low birth weight infants are at about a twenty fold increased risk of dying and these rates increase substantially for very low birth weight infants. Either have nearly a hundred percent chance of experiencing problems in growth and development.

Pre- and interconceptional care can also be important in increasing birth weight. Adequate nutrition and weight gain during pregnancy are among the most important factors in determining the birth weight of the infant. While nationally the improvement in the low birth weight rate over the past decade has been barely perceptible, to 6.8 per 1000 live births in 1986, North Carolina's rate remains higher than the national average at 7.9 per 1000.

Table II

PERCENT OF LOW BIRTH WEIGHT INFANTS
IN THE U.S. AND NORTH CAROLINA
(5 lbs. 8 ounces or less) 1986

	United States	North Carolina
Total	6.8	7.9
White	5.6	6.1
Black	12.5	12.2

Any improvement in infant mortality rates in North Carolina over the past decade are attributable to the increased capability of saving the low birth weight infant through the provision of intensive care at birth. This then lowers the neonatal death rate.

The postneonatal mortality rates which tend to reflect socio-economic conditions within the family and access the health care have not decreased and are twice as high for nonwhites as for whites in both the U.S. and North Carolina. See Table II.

The North Carolina Agricultural Extension Service provides food and nutrition education programs to pregnant women and infants. The Expanded Food and Nutrition Education Program (EFNEP) targets low income families with infants and young children. Currently 47 counties participate in EFNEP. EFNEP uses the Eating Right Is Basic II special curriculum with nutrition for pregnant women, infants and preschool children. EFNEP cooperates with other county agencies to enhance nutritiona and health support for pregnant women. An average of 40% of EFNEP participants are also enrolled int he Women, Infants and Children's Supplemental Food Program - USDA (WIC). Co-participation is as high as 76% for some counties. A recent Cooperative Agreement between the Agricultural Extension Service and WIC will promote greater cooperation at the county level. Extension also cooperates with the Baby Love program supported by WIC and Human Resources. In a number of counties pregnant teen and young mothers receive food and nutrition education through other Food, Nutrition and Health Extension programs.

The North Carolina Agricultural Extension Service is committed to helping reduce the infant mortality rate through providing food, nutrition and health education to pregnant women, especially the socio-economically disadvantaged.

North Carolina and the nation need to intensify their efforts in addressing this issue.

ORGANIZATION AND PRODUCTION

OVERVIEW

The North Carolina Greenhouse Vegetable Grower's Association is a non-profit professional organization designed to provide its membership with technical, educational, horticultural, and state of the art hydroponics, and greenhouse environment information.

Greenhouse vegetable farming, whether hydroponic or soil, is an intense form of agriculture which, due to rising land costs, environmental impacts, and disease control is fast becoming an important factor in the overall food production scheme within the United States.

Controlled environment Hydroponic Greenhouse Farming is the most intense form of agriculture to date, yet is probably the least understood. Most technical information is being derived from on-site growers, suppliers, and some progressive state universities.

The NCGVGA, though small, represents approximately one plus million dollars per annum gross agriculture revenue within North Carolina. The American Greenhouse Vegetable Grower's Association, the national organization, accounts for approximately one hundred to one hundred fifty million dollars per annum gross agriculture revenue within the United States.

As much as two hundred thousand dollars gross annual revenue can be generated, in some crops, on one quarter acre in an environmentally controlled hydroponic greenhouse. This is approximately five times more intense than seasonal row crop vegetable farming. All of this can be done with the absolute minimum use of insecticides, pesticides, and fungicides due to good housekeeping, preventative maintenance, and beneficial biological pest controls. Many growers use no harmful chemicals whatsoever.

We recommend that the U.S. House of Representatives Agriculture Committee recognize and solicit comments from the American Greenhouse Vegetable Grower's Association in compiling input for the 1990 and future Farm Bill Laws.

Paul A. Standridge, President
N. C. Greenhouse Vegetable Growers Assn.
Room 228 Kilgore Hall
N. C. State University
Raleigh, N. C. 27695-7609

(Attachment follows:)

RECOMMENDATIONS OF THE NORTH CAROLINA GREENHOUSE VEGETABLE GROWER'S ASSOCIATION FOR CONSIDERATION IN THE IMPLEMENTATION OF A 1990 U. S. FARM BILL

1. We recommend reinstatement of favorable investment tax credits on farm equipment and agricultural greenhouses.

2. We recommend state and federal tax credits and other incentives be granted to encourage energy-saving equipment, reduced usage of harmful chemicals, and pollution control devices used for agricultural greenhouse purposes.

3. We strongly recommend a federal disaster aid program for farmers, including greenhouse vegetable growers, that would provide expedient, direct low interest loans outside the current burdensome Farmers Home Administration's rules and policy of Lender of Last Resort.

4. We recommend a federal program that would provide low interest loans to an established greenhouse farmer who suffers a thirty percent loss of crop income as a result of natural disasters, without the requirement that such farmer be operating within a declared disaster area.

5. We recommend a federal program that would provide lower interest and longer financing than currently available to greenhouse and hydroponic farmers for expansion of costly facilities and operations.

6. We recommend the U. S. Agricultural Extension Service put more emphasis on the marketing of greenhouse and hydroponically grown farm products; and aggressively support and promote marketing education seminars and programs.

7. We recommend more adequate federal and state funding for greenhouse and hydroponic production research and development; including artificial lighting and environmental controls.

8. We recommend expanding research for more acceptable controls of diseases and insects within agricultural greenhouse environments.

9. We recommend that current laws dealing with inspection standards and movement of horticultural crops entering the U. S. from other countries be improved and more strictly enforced. Farm commodities should be free of and examined to find harmful chemicals and diseases.

FORMULATION OF THE 1990 FARM BILL

MONDAY, JANUARY 29, 1990

House of Representatives,
Committee on Agriculture,
Fayetteville, NC.

The committee met, pursuant to call, at 11:19 a.m. in the extension auditorium, Charlie Rose Agri-Expo Center, East Mountain Drive, Fayetteville, NC, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Rose, Volkmer, Hatcher, Tallon, Nagle, Harris, Sarpalius, and Lancaster.

Staff present: Fred J. Clark, associate counsel; Joan Teague Rose and Marshall Livingston.

REMARKS OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The Chairman. The meeting will come to order.

Good morning. This meeting of the House Agriculture Committee is convened. As we have throughout the Nation in the process of gathering information to go into the 1990 farm legislation, we—either the full committee or the subcommittees—have been in almost 50 States in the process. And we are very happy to be here with our distinguished Member from North Carolina, Chairman Charlie Rose.

As you can see, we have members, some yet to come in, but we have Chairman Hatcher from Georgia, and Congressman Volkmer of Missouri, chairman of the Forests, Family Farms, and Energy Subcommittee. Mr. Hatcher is chairman of the Domestic Marketing, Consumer Relations, and Nutrition Subcommittee. Mr. Sarpalius from Texas, Congressman Nagle from Iowa, and your neighbor, Congressman Tallon from South Carolina, who is yet to come in; and Judge Harris from Alabama and your neighbor from North Carolina, Martin Lancaster.

To show our appreciation for our host today and for you people in North Carolina, we all came from many different directions yesterday. Most of us missing—it was not all that much of a miss, but most of us missed the Super Bowl. [Laughter.]

We were flying in, I from Texas, Mr. Sarpalius from Texas; Mr. Hatcher came in this morning from Georgia and so on. Also let me add that aside from our distinguished member inviting us to North Carolina, I wanted to come because the leaders in agriculture throughout the States are the commissioners of agriculture, and I assure you that one of national stature is your commissioner of agriculture and my good friend, big Jim Graham, who we will start off as a first witness for this hearing today.

Commissioner, we are happy to have you. We appreciate what you do for agriculture, not only here in North Carolina but your contribution to the national association and your leadership in national agriculture.

STATEMENT OF JAMES A. "JIM" GRAHAM, COMMISSIONER OF AGRICULTURE, STATE OF NORTH CAROLINA

Mr. GRAHAM. Thank you very much, Mr. Chairman. Chairman de la Garza, Congressman Rose, Congressman Lancaster, and all the distinguished members of the Ag Committee, as commissioner of agriculture personally and as a farmer, I welcome you here to North Carolina, and particularly in this wonderful Charlie Rose Agri-Expo Center.

For the record, let me tell you not a single Federal tax dollar went into this building and Congressman Rose put a hand on me and my office and the legislature of North Carolina, so welcome here to this wonderful place.

You mentioned the Super Bowl, that is out and gone, but today is "Super Monday" having you gentlemen down here in North Carolina. We appreciate you coming to our State and the opportunity for me to appear before you is always a genuine pleasure and an honor.

This important committee is so important and so necessary to feed mankind. Individually and collectively, you are performing an outstanding service to farmers, the Nation, and the world.

To that end, you are now, as Chairman de la Garza said, developing the 1990 farm bill. It is my sincere hope that this bill will be patterned as closely as possible to the 1985 farm bill. Keep in mind, the price support rates and target price rates should not be reduced. They are low enough now.

As you develop this bill, I urge you to maintain the integrity of the Peanut Program and Tobacco Program which are the very heart of North Carolina's agriculture and still important and the bedrock of our economy here today.

I also encourage a strong, aggressive export program. Recently, I announced the North Carolina Department of Agricuture's plan to increase our agricultural exports. In other words, we are redoubling our efforts in the Tarheel State and our track record will prove it. All I ask is for you and the Federal Government to do its part.

Let me beg of you to give consideration to Federal/State cooperative programs. As an example, North Carolina is one of the leaders in turkeys, No. 1 in the country, fast growing hog State and other animal agriculture. The animal health program is vital. We in the department of agriculture in North Carolina have a 10-year program patterned after the Federal Program for control and eradication of pseudorabies in our State's hog population. We currently have 450 herds under quarantine. Our pork industry is comprised of several extremely large operations—in fact we have 7 of the largest in the entire country, as well as approximately 9,000 medium to small producers.

Recently Federal matching funds for this effort have been reduced, drastically cut, placing an extreme hardship on our eradication program. These animal health programs are very vital and must be maintained for our livelihood.

Food safety is on your minds, our minds, my mind, on the minds of all consumers as well as producers. Our food and drug laboratory is currently doing a terrific job of ensuring our people that North Carolina food is clean and safe. A national approach to this effort is all important and must be carried out and the cost must be—I repeat—shared by both the Federal and State governments.

Marketing both domestic and export is vital to our continued effort to maintain a healthy agricultural economy. I think, prejudiced as I am, we have one of the best promotional programs in the country here in North Carolina. As I stated earlier, we are placing added emphasis on our export programs.

Key members of my staff work hand in hand with environmentalists, EPA, and several other groups to ensure clean air and water. I am an environmentalist, not a born-again environmentalist but a born environmentalist, and so are farmers. We eat the same thing we sell and thus we have a vested interest in protecting our food supply for you and all of us.

I emphasize that I am also a conservationist and we must maintain some incentive in conservation matters such as the cost-share programs, to preserve our soil and water for future generations. There is no telling how much the ACP, Agricultural Conservation Program, has meant to the preservation of soil and water along with many Federal and State conservation cost sharing programs. These insurance-type programs must be maintained.

And we are developing in North Carolina, aquaculture. I ask you to check into the facts, as the North Carolina General Assembly, we have defined agriculture and aquaculture—aquaculture is agriculture but on the Federal level, national level, there seems to be some conflict there.

Now finally, let me once again ask you to erase from your minds and anyone that is listening to the sound of my voice, the words "free market." There is no such thing as a free market. Do what you can to improve export markets with a reasonable return to our farmers. Agricultural exports for this Nation have to be top priority.

When you stop and think that 95 percent of all the people in this country, outside the U.S.A., live—not here, but in other parts of the world, so we have to go to the markets. If we can afford the billions of dollars to protect ourselves from foreign attack, from crime, from pollution, disease, can we not also protect ourselves from hunger?

Mr. Chairman, I have heard you mention that many times.

Thank you, sir, thank you distinguished committee members for allowing me to speak today and for coming to North Carolina. We thank you, we love you, we love agriculture, hope you have an enjoyable stay. If I can do anything, let me know. Thank you.

[The prepared statement of Mr. Graham appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Commissioner, we always appreciate hearing from you and we are happy to be in your State.

Let me mention hereafter that we would hope that witnesses can limit their testimony to 5 minutes or less. We have a timer that shows you a green light and red light, but the cord will not come to here, so I have instructed one of the members of staff that if you go beyond the 5 minutes to come and tap you on the back. If you are way beyond the 5 minutes, he may not tap you as gently as he ordinarily would. [Laughter.]

Without objection, all of the written testimony will appear in the record as if you had delivered it. So you may quote from it or summarize, whichever you feel more comfortable with, knowing that your entire written testimony will appear in the record. So we hope that will help with the time element.

The next witness is Mr. Robert Sessions, Bobby Sessions, of the Federal land bank. He will be accompanied by Maxey Love. We invite you to join him at the witness table.

STATEMENT OF BOBBY SESSIONS, FARMER, WHITEVILLE, NC

Mr. SESSIONS. Mr. Chairman and members of the committee, my name is Bobby Sessions, and I am a farmer from Whiteville, North Carolina. I am here today to let you gentlemen know what a farmer and borrower of the Farm Credit System would like to see in the 1990 farm bill. I would like to thank the gentlemen on the House Agriculture Committee for taking the time to come to North Carolina to hear the views of local farmers on these important issues, and to thank Charlie Rose for his involvement and continued support for the North Carolina farmer.

I will be addressing some of the general areas of farm credit, while Maxey Love, the CEO of the Farm Credit Bank of Columbia, is here to give you some specific figures and to answer any questions you might have.

I have been a farmer all my life, with a 600-acre farm on which I grow tobacco, peanuts, corn, and soybeans. I have also been a borrower of Farm Credit for over 30 years and I serve as a director on the Cape Fear Federal Land Bank Association Board.

As we begin the 1990's, the general health of the agriculture industry is rebounding from some of the worst times in the history of agriculture. Not only have we suffered through an economic recession, but the American farmer has endured droughts, crop failures, and here in the Carolinas, the devastation wrought by Hurricane Hugo. In order to keep the family farm from becoming a thing of the past, there is an overall necessity for reasonable farm credit. We must all work together to keep the farm industry on the upswing.

One issue that needs to be addressed in the 1990 farm bill is rural development. As a director for a Farm Credit institution, I know how hard the Subcommittee on Conservation, Credit, and Rural Development, chaired by Mr. English has been working. I want to thank Mr. English and the subcommittee members for maintaining an open communication line to us on these important issues. I would also like to commend all of the Honorable Congressmen from the Third Farm Credit District that serve on the Ag Committee; that is, Mr. Jones, Mr. Rose, Mr. Hatcher, Mr. Tallon, Mr. Lewis, Mr. Lancaster and Mr. Thomas. All of these gentlemen continue to work closely with the district farm credit institutions and we certainly appreciate their efforts.

We hope that the current version of Mr. English's bill will maintain the expansion of the population limitation to enable our associations to service all types of rural residential loans, not just loans to be sold in the secondary market through Farmer Mac. As many of our rural communities are now experiencing growth, the old limitation of 2,500 people is just not reasonable anymore, and does not coincide with the rural designations in other provisions of the 1987 Act. Including communities up to 20,000 people is a more realistic figure and allows the members of small communities to have access to reasonable credit in keeping with their budgets.

We also want to commend Robin Tallon for his tireless work on the introduction and preservation of the provision that allows the farm credit institutions to service loans to communities and cooperatives that are installing water and waste disposal systems in rural areas. Many of these small communities and rural areas are sorely in need of adequate water and waste facilities, and I thank the subcommittee members for seeking to remedy this situation.

The current provision in Mr. English's bill allows the bank for cooperatives to make these loans. We would like to see this provision amended to allow any entity of the Farm Credit System to service these loans. We feel this is such an important measure in alleviating the health risks in the present systems so prevalent in rural communities, that the availability of these loans should not be restricted to only one lending authority within the Farm Credit System.

The voluntary effort on the part of this district as well as other farm credit districts to streamline the credit delivery system must be supplemented through technical amendments that clarify portions of the 1987 act, of which this committee was instrumental in developing. We believe that these amendments are needed to carry out the full intent of Congress as contemplated by the 1987 act.

Safeguards need to be instituted to guard against undue abuses by borrowers who restructure loan after loan to the detriment of borrowers who pay their loans in a timely manner.

Another vital factor in the survival of the farmer is the continued reliance of foreign markets for farm products. The Export Enhancement Program and the Government sponsored Export Loan Guarantee Program such as those administered under the USDA's General Sales Management are two such programs. It is essential that these programs continue and be supported by the legislature in order to continue the viability of the global agricultural markets.

Another issue of great concern to the average farmer is Federal crop insurance. Occurrences such as the recent droughts and Hugo, show how important it is to continue multiperil crop insurance to safeguard our farms and families from financial devastation at the hands of forces beyond man's control.

Gentlemen, I thank you for your attention to local farmers and hope that you might use some of my thoughts in drafting the 1990 farm bill. I certainly have not covered all of the important issues and hope that you will look to our written statement for a more complete discussion of the issues facing today's ag industry. Together, we can all ensure that such things as drought, recession, and unexpected forces of nature, such as Hugo, do not undermine the American farmer and the values upon which this great Nation of ours was founded.

I again thank you for the opportunity to appear before you today, and will now turn the floor over to the CEO of the Farm Credit Bank of Columbia, Maxey Love, for a few brief words on the Farm Credit Bank and for any questions you might have.

The CHAIRMAN. Thank you very much, sir.

Mr. Love.

STATEMENT OF MAXEY D. LOVE, JR., CHIEF EXECUTIVE OFFICER, FARM CREDIT BANK OF COLUMBIA, COLUMBIA, SC

Mr. LOVE. Mr. Chairman, members of the Agriculture Committee, my name is Maxey Love, I am the chief executive officer of the Farm Credit Bank of Columbia, Columbia, South Carolina. We provide financial services through 20 jointly managed production credit associations and Federal land bank associations in North Carolina, South Carolina, Georgia, and Florida. I appreciate the opportunity to speak to you today concerning legislation related to the 1990 farm bill.

Through our land bank associations we provide approximately 49 percent of the long-term agricultural credit outstanding and our production credit associations provide 23 percent of the short and intermediate credit. Combined, we have 62,000 cooperative members who borrow over $3.7 billion from their local associations. About 1 out of every 3 farms in our four States uses one of our local associations for a portion of their credit needs.

My brief statement today is on behalf of the Farm Credit Bank of Columbia and the associations we serve. I would like to reiterate Mr. Sessions' statement of appreciation toward your committee and its efforts in helping to bring into law the Agricultural Credit Act of 1987. The act has allowed the farm credit institutions to again establish themselves as dependable providers of credit to rural areas.

With the realization that farm credit institutions compete with other credit institutions in their respective territories, our local associations must manage their costs to remain profitable. To retain local offices, they need to offer fee-based financial services and serve a broad base of financial needs of eligible borrowers. In order to do so on a competitive and profitable basis, associations must be afforded the opportunity to meet the needs of current customers and compete for new customers on a level playing field with other financial service organizations.

Under the provisions of the Farm Credit Act, the Farm Credit Bank, Production Credit Association, and Federal Land Bank Associations are authorized to provide financially related services to eligible borrowers. We believe this authorization to offer technical and financially related services is beneficial to our members and it helps maintain a presence in locations which may otherwise be unprofitable to serve.

We ask that your committee protect this authority and encourage the Farm Credit Administration to approve financially related services that show positive economic feasibility.

Finally, it is so important that the 1990 farm bill continue to provide farmers with the vital risk management programs which have benefited them in the 1985 farm bill, such as crop insurance, target price provisions, and supply control programs. Our farmers need the features of these programs in the new farm bill in order to have economic stability in view of the unpredictable forces of nature and the significant price volatility in agricultural markets. The foregoing programs have added income protection to our tobacco, peanut, cotton, corn, soybeans, and other row crop producers within the Third Farm Credit District.

In closing, I would like to thank the entire Agriculture Committee for allowing us to discuss issues concerning legislation for the 1990 farm bill. I would be happy to entertain any questions the committee may have.

[The prepared statement of Mr. Sessions and Mr. Love appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Mickey Atkins of the North Carolina Bankers Association has joined them at the witness table. If you will kindly remain, we will hear from Mr. Atkins at this time.

STATEMENT OF MICKEY ATKINS, VICE PRESIDENT, UNITED CAROLINA BANK

Mr. ATKINS. Mr. Chairman and members of the House Committee on Agriculture, I am Mickey Atkins, vice president of United Carolina Bank in Whiteville, North Carolina. I am the administrator for the agricultural credit for UCB. We presently have in excess of $100 million in outstanding credit to farmers in southeastern and piedmont North Carolina.

I appreciate the opportunity to address the committee regarding the effectiveness of the Federal agricultural and rural development policies since the enactment of the Food Security Act of 1985.

We have seen our agricultural economy strengthen since 1985 when it was at its lowest point since the Great Depression of the early 1930's. Not only have land prices stabilized, but good farmland prices have increased since 1985. This increase has been gradual and still has not reached the peak prices seen in the late 1970's and early 1980's. In addition, we have seen an increased demand for good farms as they have come on the market for sale.

Another factor contributing to this is that our farmers have become stronger and better managers because of the adversities they suffered in the early 1980's. The commodities they produce have reached a price level that allows them a reasonable but small profit.

While they are still not receiving the high dollar prices of the late 1970's, most farmers are generating sufficient funds to provide operating expenses, service debts, and provide a reasonable standard of living.

Farmers have taken a different attitude toward expansion since 1985 and will only expand if it makes good business sense and allows them a reasonable return on their investment. Many farmers realize that bigger is not always better and that too much expansion can bring problems. All in all, we can say that since 1985, we have seen some stabilization in the agricultural economy.

The Food Security Act of 1985 came at a much needed time to help the agricultural sector. However, speaking from an agricultural lender's standpoint, it does contain items of concern. The notice of security interest in farm products which the lender is required to deliver to the potential buyer, commission merchant or sales agent of farm products in order to perfect a lien, has placed the burden of notification of lien on the lender rather than the purchaser. As it now stands, the lender must file a UCC-1 at the courthouse and in the office of the secretary of state and deliver a notice of security interest in farm products to all potential buyers, in order to maintain this perfected lien. The list of potential buyers is supplied by the farmer at the time he is negotiating credit for his crops. By the time the crop is harvested and sold, the potential buyer of record may or may not, in fact, be the actual purchaser of the commodity. If he is not and the customer failed to notify the lender of the change, it is possible for the lender to lose his lien position on the crop and have what he thought was a loan secured by crops suddenly become an unsecured transaction. At this point, the lender's only recourse is against his borrower.

Another fallacy of the act is it assumes the product will be marketed within 12 months of the negotiations of the credit. Many times farmers hold their commodities in storage which could run as long as 18 months from the date he negotiated his loan. If this is the case, the lender is faced with having to send new notifications to potential buyers. A good solution to this would be to amend the act to extend the period to 18 months to eliminate the burden and expense of renotification. Some lenders have been reluctant to extend credit secured by growing or stored agricultural commodities; in many cases, they have extended the much needed credit on other tangible security. This has made the process of obtaining production credit more difficult for the farmer.

As lenders, we have seen a reluctance on the part of farmers to have the notification mailed to potential buyers or sales agents. Farmers want their financial transactions held in strictest confidence and many consider it an invasion of their private affairs. We so often hear a farmer say, "I do not know where or to whom I will sell my crops. I intend to sell them to the buyer that offers the highest price."

The filing of a lien on agricultural products could be done at one central location such as the secretary of state or the local ASCS office. I might suggest the local ASCS office because they have a record of the farmer's crops grown from his certification and could very easily attach a copy of the filed UCC-1 to the farmer's records. In this case, the purchaser or sales agent could contact the ASCS office to determine if a lien existed on the commodity. If no liens were of record, he would feel safe as to the title to the commodity he was purchasing. If a lien was on record, he could contact the lien holder to determine the disposition of the proceeds for the product. By doing this, the buyer, seller, and the lender would be protected as to the transaction.

The statute currently provides for a central filing and notification system through the secretary of state's office. The State of North Carolina has not chosen to implement this systems and appears unlikely to do so.

To implement a system through the ASCS Office would require an amendment to the statute.

The agricultural environment within our market area has shown improvement during the past 5 years. Farmers are operating more as businessmen in the true sense of the word. The Food Security Act of 1985 has complicated the redtape. I would recommend to you that you consider the modifications proposed herein as in the best interest of all parties and certainly a method of streamlining the documentation process. Therein, in all likelihood, the credit markets would be more amenable to taking the credit risks associated with financing commodities since the documentation risks would have diminished.

Thank you gentlemen.

[The prepared statement of Mr. Atkins appears at the conclusion of the hearing.]

Mr. Rose [acting chairman]. Thank you, Mr. Atkins. Are there questions by members of this committee?

[No response.]

Mr. Rose. If not, thank you all for being here and Mr. Love, we especially appreciate you providing lunch for us today.

Our next witness is Mr. Robert Jenkins, president of North Carolina Farm Bureau Federation from Raleigh, North Carolina. Mr. Jenkins, it is an honor to have you here and we look forward to hearing what you have to bring to us.

STATEMENT OF WILLIAM B. JENKINS, PRESIDENT, NORTH CAROLINA FARM BUREAU FEDERATION

Mr. Jenkins. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, I am W.B. Jenkins, president of the North Carolina Farm Bureau Federation.

Thank you for arranging your busy schedules to hold this hearing in Cumberland County. We especially thank you, Mr. Chairman, for providing the leadership that you are providing in seeing that programs are adopted as a part of agricultural legislation that has given farmers hope and belief that agriculture will again be not only a way of life, but a business that gives them an opportunity to seek a reasonable return on their investments and obtain a profit. The profit incentive must be a part of agriculture.

We are also pleased that you are holding this hearing in the Charlie Rose Agri-Expo Center. Congressman Rose is one of us. We are very proud of this record of service to farmers.

North Carolina Farm Bureau is filing a statement that will go into much more detail than I am going into in my brief remarks. There are seven points that I want to hit very briefly and cover in general terms without going into any detail.

First, the current Farm Program, which expires this year, has moved us in the right direction. We are all familiar with the old saying "If it is not broke, do not fix it." I want to add, "Do not tear it apart to see what made it work and end up with a major overhaul instead of fine-tuning when you try to put it back together again."

The environmental area—we all have concerns for our environment. Farmers always have been and will continue to be leaders in protecting the environment. We cannot let environmental concerns alone dictate management practices on our farms. Economics of agricultural practices, including cost of production and seeking a reasonable return, must be considered.

Exports and international trade—export enhancement is needed not to enhance the profits of the exporter, but to add needed income that goes to the producer. We must have quality control and integrity built into our export programs. Farmers' reputation and credibility are on the line as well as the reputation and credibility of the United States as an exporting Nation.

Agricultural debt—we have many farmers who are still teetering on the verge of bankruptcy. We are talking about good farmers and good managers. Poor farmers and poor managers are gone. We need reasonable and reliable sources of agricultural financing.

Natural disasters—we need a good Crop Insurance Program or a good Disaster Program, not a muddle of the two programs.

Two important issues that affect farmers and need your support—first health insurance. We have farmers who are paying $5,000 per year for good health insurance coverage. In many cases, this is one-fourth or more of their net income. Currently, they can deduct only one-fourth of this premium as a business expense.

It is not fair. As self-employed people, they should be able to deduct the full premium. Farmers need your support on this issue.

Capital gains—farmers live poor, spend their entire lives building equity in land, buildings, equipment, and timber. After 40 or more years of hard work, they decide to retire and all they have is land, buildings, equipment, and timber. Their retirement, when turned into cash, is basically treated as ordinary income for that year. Capital gains is not just for the rich. It is also for the poor who worked and saved to have equity to use in their later years. We need a long-term capital gains provision which will help farmers.

On tobacco, I echo Commissioner Graham's statement. Tobacco is not a part of the 1985 act and we hope it will stay that way.

Mr. Chairman, members of the committee, thank you very much. Again, thank you for coming and listening to farmers in North Carolina.

[The prepared statement of Mr. Jenkins appears at the conclusion of the hearing.]

Mr. Rose. Thank you, president Jenkins. Comments or questions from the panel?

[No response.]

Mr. Rose. If not, we thank you for being here, sir.

Our next panel will be three distinguished friends of agriculture; Mr. Robert Caldwell, master of the North Carolina State Grange; Mr. James Lee Burney of the North Carolina Association of Electric Cooperatives; and Mrs. Polly Marsh, South Carolina president of Women in Farm Economics from Camden, South Carolina.

We would remind the witnesses, if they can, to hold their comments to 5 minutes or less. Your complete statements will be made a part of the record. Mr. Caldwell, will you proceed, sir.

STATEMENT OF ROBERT H. CALDWELL, MASTER, NORTH CAROLINA STATE GRANGE

Mr. CALDWELL. Mr. Chairman, distinguished members of the House Agriculture Committee, I, along with the many others here am pleased to welcome you to North Carolina. Thank you for holding this important meeting in our State. We think this is an important agricultural area and North Carolina is an important agricultural State and your presence here emphasizes that for us.

Congressman Rose, and Congressman Lancaster are both valuable members of this committee and the grange wants to say thank you today for the role that you are playing and the leadership that you are giving, and especially to you, Congressman Rose, for holding this hearing here in Fayetteville today.

The rural areas of our Nation have about 25 percent of the population with only about 9 percent of that population actively engaged in farming. As an organization, the grange recognizes the diverse make-up of our rural areas. We represent that diversity. Our policy is hammered out between farmer and nonfarmer members who recognize and work together for agricultural purposes.

As you continue your study of the needs of a new farm bill, I know there is strong support for making only minor adjustments. The grange supports making only minor adjustments; however, the next 5 years, the period of this farm legislation, we will see the most rapid changes and dramatic changes in our history.

A whole new arsenal of tools will become available to the American farmer who is already the envy of the world.

The European Economic Community will put additional pressure on our export efforts, so vital to our agricultural economy.

Once starving nations will become exports, and they will thus become customers and competitors.

The legislation that you write must be directed so that the continued strength of American agriculture is assured, for the good of all.

The strength of our agriculture has come from the diversity and freedom enjoyed by our farmers. Many economists would like to say use the most productive lands and design programs for only the largest. The grange says that centralization of our agricultural production is not the answer. The grange considers the small- to medium-farm operation as the backbone of the American agriculture. These operations have suffered the most over the past decade and thus a larger percentage are no longer farming.

The number of farms with sales of less than $200,000 per year has dramatically declined since 1982 when they accounted for about 95 percent of all farms; today, closer to 85 percent. Unfortunately, these remaining operations will find it more difficult to compete in the future, unless this bill gives special attention to their needs.

The continued loss of the small- and medium-sized farming operations will weaken the future stability and reliability of agriculture, and increase the social and economic problems of our urban areas. Your bill must provide support for the small- to medium-sized farming operations.

To meet the needs of the future, the grange feels the new farm bill should: One, recognize regional differences in production methods, soils, cost, and traditional farming methods; two, be flexible to meet changing market and technological needs; three, be able to respond quickly; four, include a strong rural development emphasis; five, address infrastructure needs of rural areas; six, assure that ag research is shared throughout the agricultural community; and seven, address the research and extension system to prepare farmers of tomorrow to use the new technology, and then to continue efforts to open foreign markets.

The National Grange staff has already visited with this committee on its market-loan concept. This program would target benefits to farmers that need them the most so they could compete and crop loan repayments would be based on the lower of actual loan or work prices of the commodities.

Of all the areas of interest to the grange, certainly environmental sections of the 1990 farm bill demand our attention and yours. The grange and farmers have a long history of environmental concern. Regardless of how the farming community may feel, the environmental interest groups will be heard and will be considered in your writing of this bill.

Farmers must learn to work with environmentalists. Their concerns are real. They have captured the interest and the emotion of the public. Farmers must now show the value, necessity, safety record of agricultural insecticides and chemicals, because if we do not, if we lose these tools American agriculture will regress and the cost of production will increase dramatically. The grange does believe that we can meet the needs of the American consumer and through continued research and development, we can continue to play an important role.

Through the use of agricultural chemicals, the farmer has cut back on the land needed to grow the food and fiber we demand. This cutback on the use of land has allowed the farmer to take out of production highly erodible lands and to protect the important wetlands. The 1990 farm bill must protect the broad interest of the people and the farm community must demonstrate the necessity of improving farming techniques.

The grange is prepared to help agriculture show the public that we are good stewards. We can do this by helping address problems and recognizing those problems.

The grange pledges to you that we will help in any way possible to work with you. The grange will help the agricultural community become proactive, not reacting to adverse publicity or charges but looking for our own problems and solving them.

As you go through your debates, keep in mind these important points: Regional differences and needs; flexible programs; responsive to new products; market-oriented with a fair return to the producer; strengthening of the FCIC with less reliance on disaster payments; and, expanded markets through continued efforts.

The agricultural community needs to work closely together to help you, this committee, write our new farm bill. The problems we face can be made less burdensome by cooperation. The grange pledges to do its part to bring unity to the discussions to follow on this important legislation.

Thank you.

[The prepared statement of Mr. Caldwell appears at the conclusion of the hearing.]

Mr. **Hatcher**. Thank you, sir.

Our next witness is Mr. James Lee Burney representing the North Carolina Association of Electric Cooperatives. Mr. Burney.

STATEMENT OF JAMES LEE BURNEY, DIRECTOR, GOVERNMENT RELATIONS, NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES

Mr. **Burney**. Mr. Chairman and members of the committee, my name is James Lee Burney and I am director of government relations for the North Carolina Association of Electric Co-ops. In North Carolina, 28 rural electric systems provide electric service to over 550,000 consumers in 95 of the State's 100 counties.

I appreciate the opportunity to address the committee on a matter that is very important to rural electric systems and their consumer owners, and that is the economic prosperity of rural America.

The 1990 farm bill will be pivotal in determining rural America's future. Clearly policies of the past have developed situations that are of concern to all of us.

Large farms with annual sales of more than $500,000 are increasing in number. They constitute only 1.2 percent of the total number of farms, but now annually produce one-half of the cattle and calves in the country, one-half of the poultry, 70 percent of the vegetables, one-half of the fruit and 20 percent of the hogs, and this is rapidly increasing.

These large farms are most prevalent in the Pacific and Central regions of the United States. They are driving smaller enterprises out of business, requiring the smaller farms to depend on grain farming and nonfarm jobs to stay in business.

At the end of 1987, there were 1.5 million farms selling less than $40,000 of farm commodities per year, netting almost nothing on the farm operation, but earnings about $23,000 per family, mostly from nonfarm jobs and salaries.

These numbers underscore very clearly the importance of rural economic development. Agriculture is and will continue to be the primary engine that drives the rural economy, but, in order to maintain stability, we must diversify that economy. We must provide jobs and opportunity, not only for the thousands of young people who are forced to leave their communities in search of employment, but also for those small family farmers who need nonfarm income to survive.

We need this diversification for other rural enterprises to maintain their financial viability, and that brings me to something that is near and dear to rural electric systems. More than 250 of our systems are losing consumers, and we are already confronted with a consumer mix that makes it more expensive to provide electricity in rural areas. Typically, a rural electric system in this country has only about five consumers per mile of line, and typically, two-thirds of these consumers are residential. Rural electric systems simply do not have the middle-sized and large consumers that can use a system's total capacity. Yet, the system must maintain that capacity to meet the peak demands of the total system.

That is an expensive way to provide electricity, and that is reflected in our rates, which, nationally, on average, are about 15-percent higher than those of the neighboring utilities.

That is why rural economic development is and will remain one of the top priorities of rural electric systems.

While we firmly believe that the rural economic development must be locally motivated, we also firmly believe that there is a partnership role for the Federal Government.

This committee has been supportive of measures which allow rural electric systems to take a leadership role in rural economic development, and for that, we are deeply grateful.

The Rural Electrification Program is a shining example of what an effective partnership between the Government and the private sector can accomplish. Rural electric co-ops are locally owned and operated and the Government's role is to facilitate their operation through the provision of affordable capital and technical assistance. As the Congress begins its consideration of rural development legislation, I would urge that it be modeled after this highly successful partnership arrangement.

I would also be hopeful that as the committee addresses U.S. farm policy, you will put the interest of the American farmer first. This has a direct impact on the economy of our rural areas.

A strong domestic farm economy is the foundation for rural development and rural economic stability.

Rural America is just beginning to recover from nearly a decade of farm depression and the legislation you are currently involved in will certainly be pivotal in assuring that continued recovery.

I thank you for the opportunity to appear before the committee.

[The prepared statement of Mr. Burney appears at the conclusion of the hearing.]

Mr. ROSE. Thank you, Mr. James Lee Burney.

Now Mrs. Polly Marsh of South Carolina WIFE.

STATEMENT OF POLLY P. MARSH, PRESIDENT, SOUTH CAROLINA WOMEN INVOLVED IN FARM ECONOMICS

Mrs. MARSH. Mr. Chairman, members of the committee, my name is Polly Marsh and I am president of the South Carolina Women Involved in Farm Economics. On behalf of WIFE, I would like to thank you for the opportunity to address you today and to share some thoughts with you, and I appreciate the time and effort on your part to make this hearing.

My home is in Camden, South Carolina. I grew up in the city and 38 years ago I married a young farmer. We have three sons currently who are involved in agricultural production in South Carolina. We grow a combination of the traditional row crops of the South, we have corn, cotton, wheat, soybeans, and peanuts as well as 80 acres of fruits and vegetables. I participate in the operation of the farm on a daily basis and share in the decisionmaking process. I also conduct farm tours for groups, giving children a chance to look first-hand at the source of their food supply.

The 1985 Food Security Act had three major goals: To stabilize farm income; to reduce subsidies; and to regain world market share. These goals have been met to some degree.

Today, things have changed and our needs are different. The 1990 farm legislation will cover a much broader spectrum than we had in earlier years. WIFE has policy to cover many of these issues, but I would like to address three specific areas of concern.

The first one is establishment of person status for farm wives.

The second is food safety and ground water.

And the third is profitability for the producer.

We are approaching the 21st century and there are still pockets of discrimination against women. In 1987, Congress corrected a portion of this discrimination but there are two areas in particular that have been not yet addressed. One is the farm wife who acquires her property after marriage. That is in reference to inherited property, nor the wife that actively participates in the farm business on a daily basis. This discrimination is reminiscent of the right of women to vote or to own property. My husband and son formed a farming partnership. Each of them qualify for program benefits. My other two sons formed a farming partnership, both qualifying for farm benefits. If I became a widow and chose to farm with my son, each of us would be eligible for farm benefits. Even though I work full time on the farm and am a landowner, I am considered as one with my husband.

While program benefits are important, WIFE's main concern is recognition of the farm wife as an individual person. We do not expect that all farm wives be eligible for benefits, but that any farm wife that meets the criteria established for other individuals be given person status. We ask that a wife who inherits property or a widow who owns farm property and chooses to remarry another farmer be allowed to keep that property as her sole and separate property. We solicit your support in correcting this discrimination by including it in the 1990 farm bill.

WIFE realizes that some legislation to be considered will deal with environmental issues. As an organization and as individual producers of food and fiber, we too are concerned with these issues. As producers, we till the soil for our livelihood. This gives us a different perspective than consumer and environmental groups. Being dependent on the environment, it is to our advantage to protect that environment. We are mothers and grandmothers who would not suggest or support anything that would jeopardize the health, well-being, or future of our children and grandchildren. We request that legislation pertaining to food safety and ground water be based on fact and not emotion.

Profitability is the bottom line if we are to have a sustainable agriculture in the Nation.

There has been much discussion concerning the improved farm income over the last few years. This is somewhat misleading. In many cases, this increase in income has not provided an increase in the quality of life for farm families, but has gone to reduce massive indebtedness accumulated since 1977. The farm crisis is not over, but has become an ongoing situation. The new farm bill legislation needs to provide profitability for producers.

The strength of this Nation is based on a productive agriculture. If the family farm ceases to exist, the American way of life as we have known it may well cease to exist.

I will be happy to attempt to answer any questions if you have any.

[The prepared statement of Mrs. Marsh appears at the conclusion of the hearing.]

Mr. ROSE. Thank your very much for your statement, and I thank the panel for their contributions or their comments.

Mr. Volkmer has a question.

Mr. VOLKMER. Mr. Chairman, I would like to ask the panel a question, those who can answer it.

Mr. Caldwell, you especially talked about the small- and middle-sized farmer and what has happened and the problems. Mrs. Marsh, you talked about some of that same thing, the profitability question.

In the past, when we look at what the administration proposed for the farm bill, both in 1981 and 1985, and I understand maybe the same proposal eventually, if we ever see one, for 1990, they talk about a 10-percent reduction each year in the target prices for corn, cotton, wheat, all the—rice—all the commodities, which for those people that produce that commodity transfers into approximately a 10-percent reduction in income.

What happens to those small- and middle-sized farmers if we have that? Anybody want to answer that—each year for 5 years.

Mr. CALDWELL. Thank you for the question. Obviously that type of cut is disastrous on family farmers who are already struggling to make a go. They can take no less unless the marketplace replaces it and I do not see the marketplace doing that this time, sir.

Mr. VOLKMER. Thank you.

Mrs. MARSH. He was addressing the needs of the small and middle farmers. We are not classed as a small farmer, we might even be considered one of the larger farms. However, one of the reasons that we have become as large as we have is because the profit margin was not there, so you had to increase units to provide the income. So in our case, we are indebted from 1977 and 1980, so to reduce this each year would take away our profitability from the standpoint of repaying earlier indebtedness and it would also—the only other way would be to increase the price of farm products and I do not see that occurring to that degree.

Mr. VOLKMER. Thank you, Mr. Chairman.

Mr. ROSE. Thank you all very much. We excuse you now and call panel five with Dr. John Ambrose of North Carolina State Beekeepers Association, Dr. Larry Tombaugh, the dean of forestry resources at North Carolina State University, Dr. Durward Bateman, the dean of agriculture at North Carolina State University.

We will start with Dr. Bateman on this panel. Dr. Bateman, we appreciate you coming down here today to be with us, and you too, Dr. Tombaugh.

Before you begin, I would like to recognize John Cooper. Is he or has he had to leave? State ASCS director, we are glad to have you here. We are glad you got trained in Cumberland County. We thank the Homemakers' Club for preparing lunch, George Autry, thank you for your Extension people and their help in putting on this hearing, and the county board of education for our system, all of these things you are aware of, Dean Bateman, and we look forward to your statement.

STATEMENT OF DURWARD F. BATEMAN, DEAN, COLLEGE OF AGRICULTURE AND LIFE SCIENCES, NORTH CAROLINA STATE UNIVERSITY, ON BEHALF OF THE NATIONAL ASSOCIATION OF STATE UNIVERSITIES AND LAND-GRANT COLLEGES

Mr. **Bateman**. Thank you, Mr. Rose and members of the committee, it is a real pleasure to be here and I want to thank you for coming to North Carolina and permitting us to have some input as it relates to the 1990 farm bill. As indicated, my name is Durward Bateman, I am dean of the college of agriculture and life sciences at North Carolina State University.

Today, I am representing the National Association of State Universities and Land-Grant Colleges as well as myself. My comments will be directed in support of the provisions of title XIV of the 1990 farm bill that derive from the National Agricultural Research, Extension, and Teaching Policy Act of 1977.

First, let me say that our land-grant system of higher education, as you know, is unique among the nations of the world, where we have integrated and put together research, teaching, and extension. Our system is one of traditional partnerships between the Federal Government, State government and county government. So our land-grant system has developed over the years with funding from these various sources. Further, a lot of control and decisionmaking remains at the local level. I think all of us will agree that the network of land-grant institutions nationally has served America well.

They have not only provided excellent education for our people with a focus on the needs of society, but have put in place a massive system of research and extension that has a very important role in terms of our total agriculture and rural economies in this country.

You and your committee know the value of the land-grant system. It has been the primary catalyst in fostering our productive scientific agriculture of today and it enables us to produce the abundance that we produce both for our national population as well as for many people throughout the world. Today agricultural production involves only about 2 percent of our national population engaged in farming. Yet we have our largest and most diverse food supply in our history. This in itself, indicates the significance of what has been done over the past 100 years or so.

Let me hasten to indicate that the 2 percent engaged in farming also undergirds 20 percent of all the private sector jobs in this country. In North Carolina that figure is 32 percent, when one looks at the manufacturing, processing, and distribution related to agricultural products. So agriculture is very important to North Carolina, and it serves as a mainstay of our rural economy.

When you examine the advances made in agriculture during our lifetimes, we can say they are slightly short of being miracles. Certainly the land-grant system can take credit for at least having a part in this abundance we enjoy.

When one examines the Federal-State partnership in support of this system over the past two decades, it is noticeable that the Federal partner has lagged as compared to the State partners in support of this system. So in developing the 1990 farm bill, I would encourage the committee to look at this situation seriously. As we look to the 1990's and beyond, the land-grant system is going to be as important if not more important than it has been in the past. I say this for a number of reasons:

One, our agriculture must compete in a global economy. We all know this.

Two, other nations are increasing their investments in science and technology related to agriculture, and they are doing this at a more rapid rate than the United State.

Three, future advances in production agriculture will require increasingly sophisticated technologies. You are aware of this, I am sure.

Four, the issues of food safety, water quality, environment, and sustainable production systems have to be dealt with effectively, and at the same time, enable our agriculture to remain competitive and profitable.

Five, if you look at the current system and its support, we need more resources in the area of food processing. The development manufacturing facilities compatible with agriculture in the rural communities is a major need that could profit from greater input from the land-grant system.

Six, there are major needs in rural America related to infrastructure at the county level, industrialization and social change that need more emphasis by the land-grant university system. Our land-grants system is in place and should be used in this context.

Mr. Chairman, I would urge you and your colleagues, as you deal with title XIV in the 1990 farm bill, to keep in mind the progress of the past, but at the same time focus on the needed changes that will best serve the future of rural America. At the root of our past, progress has been through the Federal-State partnership. It needs to be enhanced as we look to the future. Our land grant institutions have been strong because of a stable funding base. And in that context, I want to emphasize the need for Federal formula funding as well as State funding; such funding is fundamental to keeping programs in place. I would also emphasize the need for grant funding. This is necessary as well because this type of funding can be used to direct programs to national priorities. So I would encourage the committee as it reviews title XIV, to look at it with a balanced view with respect to funding, formula, and grants. I would encourage Congress to invest more in the land-grant system than we have in the past two decades and reverse the trend of the past two decades.

Based on the advances that are being made in the sciences and the network of institutions in place, I feel if adequate funding is provided, we can be optimistic about our future and the agriculture that undergrids our national prosperity.

I encourage you again to maintain and enhance formula funding while looking at grant funding for special needs. Areas of increased need, as I see them, are as follows:

First, provide greater support for the national needs graduate fellowship program in the education area. This is a small program in place at the present time, but it must be increased if we are to have the needed scientists for the future.

Second, the enhancement of competitive grants programs to really focus on those sciences that undergird agriculture. There are limits on what can be done, but this is an area that deserves greater Federal investment.

Third, grants to States to aid in international trade. If our agriculture is going to expand, it is going to have to be in the export arena, and I believe you will find your land-grant system willing and able to help out in this area.

Fourth, increase support for effective pest management and biological control programs. This is a real need as we consider food safety and environmental concerns.

Fifth, grants to enable better extension educational efforts with elected officials and leading citizens in the counties as we seek to improve and further develop in rural America.

So let me close by saying that we have in place a land-grant system that can be an even greater force for progress in the future than it has been in the past. So as you deal with title XIV of the 1990 farm bill, you will have an opportunity to ensure future progress by making the right investments. I urge you and your colleagues to make sure these programs receive the resources needed to accomplish the tasks that lie before us.

Mr. Chairman, it is a pleasure to be before you today, and if there are questions, I will be pleased to respond.

[The prepared statement of Mr. Bateman appears at the conclusion of the hearing.]

Mr. ROSE. Thank you for a very thorough statement.

At this time, we will call on the dean of forestry resources at North Carolina State University.

STATEMENT OF LARRY W. TOMBAUGH, DEAN, FORESTRY RESOURCES, NORTH CAROLINA STATE UNIVERSITY, ON BEHALF OF THE NATIONAL ASSOCIATION OF PROFESSIONAL FORESTRY SCHOOLS AND COLLEGES

Mr. TOMBAUGH. Distinguished members of the Agriculture Committee, my name is Larry Tombaugh and I am dean of the college of forest resources at North Carolina State University. I am also serving as president of the National Association of Professional Forestry Schools and Colleges, an organization that represents the 60 schools and colleges of forestry and related natural resources in the United States. It is in this latter capacity that I have the privilege of appearing before you today.

Like Dean Bateman, my comments will be restricted to title XIV of the farm bill, the section that has historically dealt with education, research, and extension in agriculture and forestry. We propose that a subtitle be added to title XIV that will explicitly promote the health, vitality, productivity, and environmental quality of that one-third of the Nation's land that is forested. These lands and their associated renewable natural resources have become the focal point of controversy and clashes of values among different segments of the American public—clashes that are unique to forested environments and that warrant special legislative attention.

The American public is increasingly concerned about the compatibility between the use of forests for commercial purposes and the quality of the environment. The United States, years ago, pioneered the concept of wilderness preservation, and over 90-million acres have now been officially designated as pristine areas in which commercial activities are forbidden.

At the same time, U.S. forests support an industry that adds about $73 billion to the value of the U.S. economy each year and employs over 1½ million people. This represents 7.3 percent of the value added in all manufacturing and 8.5 percent of all people employed in U.S. manufacturing, with the largest share being employed in rural America. Products include essential commodities such as pulp, paper, lumber, plywood, particleboard, furniture, and hundreds of others. Also, forest-based tourism and recreation are the primary local industries for thousands of communities. An average of 550-million visitor days of outdoor recreation use has occurred on Federal lands alone each year throughout the 1980's. It is essential that these important industries continue to be strengthened.

Because forested lands are the source of most of the surface water in the United States, there is a direct relationship between forest management practices and water quality. There is also evidence of a relationship between forests and climate and rising concern about global warming is focusing attention on the importance of forests in the United States and in tropical regions throughout the world. Concern about the need for biologically diverse ecosystems and for preserving rare and endangered species of plants and animals is growing. Forests provide much of the habitat for game and nongame wildlife species.

Commercial uses of forested wetlands is a matter of intense debate—it is really a matter of intense debate right here in North Carolina—because of potential damage to fresh water and estuarine environments. The maintenance of forest health in the face of increased regional and global air pollution, altered pest distribution patterns, and human encroachment is recognized to be a priority need if forest cover and wood supply are to be maintained. These and other issues put forested ecosystems in the forefront of the public agenda.

Urban dwellers, too, are concerned about trees. Urban forestry has become a big business as city governments and residents seek care for the trees that enhance their environment and the value of their parks and property.

The subtitle that we propose does two things. First, it clarifies and confirms the authority of the Secretary of Agriculture to conduct and support education, research, extension, and international programs dealing with environmental as well as commodity issues associated with forested lands. We propose this so that a scientific basis for decisionmaking can be developed. We are very concerned that, too often, decisions related to the forest environment are based on emotion and hysteria rather than fact.

Second, our proposed subtitle calls for a specific program to enhance the capability of the Nation's forestry schools and colleges to deal with the critical issues that I just discussed with you. It calls for a reaffirmation of that Federal-State partnership that Dean Bateman talked about which has been so important to forestry as well as agricultural research. Specifically, it seeks reauthorization of the McIntire-Stennis Cooperative Forestry Research Program, a formula-funded program that is essential to forestry research.

It calls for a research grants program to expand scientific attention to specific issues related to the forest environment. It calls for a facilities grant program, recognizing that the physical facilities and research equipment at many research stations and forestry schools are not adequate to meet the contemporary needs.

It calls for continued authority of the Renewable Resources Extension Act and a national advisory group composed of representatives of the forest products industry, environmental organizations, wildlife and fishery interests, range and other organizations to advise the Secretary about directions of this important program.

It calls for a graduate fellowship program to increase the supply of scientific manpower in the sciences critical to forestry. Also needed is an undergraduate fellowship program to enable us to increase the number of women and minority professionals in forestry, natural resources, and related environmental disciplines.

Finally, our proposed subtitle calls for a grants program to enhance research, education, and technology transfer in tropical forest management, agroforestry, and other international forestry matters.

I have provided the committee with a copy of the details of the proposed subtitle. All of us responsible for the Nation's forestry education and research programs seek your support.

Thank you for the opportunity to appear before you.

[The prepared statement of Mr. Tombaugh appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Are there any questions of our two witnesses?

Mr. LANCASTER. Mr. Chairman, I have one question of Dr. Tombaugh.

The CHAIRMAN. Mr. Lancaster.

Mr. LANCASTER. Dr. Tombaugh, I have read news stories on President Bush's proposal for a reforestation program. I wonder if you have any information on his proposal? If so, would you care to comment on that proposal?

Mr. TOMBAUGH. Mr. Lancaster, I do not have the details of that proposal and do not feel adequately informed to be able to comment at this time.

Mr. LANCASTER. Thank you. I wonder if you might, once you have obtained those details, send that to be made an addendum to this hearing or to be held in the committee files.

Mr. TOMBAUGH. I would be pleased to do that, sir.

The CHAIRMAN. I apologize for being out of the room. There is always the television that needs to interview you.

Dean, we are very happy to have you, sir. Very nice to see you again, and as I said of your commissioner of agriculture, he is one of the more distinguished nationally, and I might add that so is your dean of the college of agriculture.

Mr. **Bateman**. Thank you. Your statement about the commissioner is true; I do not know about the dean of the college.

The **Chairman**. Well we appreciate your contribution to agriculture and certainly you and your institution are well noted for other endeavors besides football.

Mr. **Bateman**. Thank you.

The **Chairman**. Thank you very much.

Mr. **Volkmer**. Dr. Tombaugh, you said you had submitted a copy of the proposal for the title. I have asked the staff and they say this is all that they have received.

Mr. **Tombaugh**. Two things have been submitted for the record. One is this document that was jointly prepared between the forestry schools of the United States and the Forest Service. There also should have been—I will check on that—the language of the proposed subtitle for forestry.

Mr. **Volkmer**. If you would, I would appreciate it, since I am chairman of the Subcommittee on Forests, Family Farms, and Energy I would appreciate receiving a copy of that directly, since we have been discussing about developing a forestry subtitle.

The other thing, Mr. Chairman, if I may be indulged for just 1 minute, approximately how much of the forested lands in North Carolina are made up of private forests in comparison to the national State?

Mr. **Tombaugh**. In our State it is between 70 and 75 percent are private lands.

Mr. **Volkmer**. So the funds for the State and private cooperative programs are very beneficial for North Carolina.

Mr. **Tombaugh**. Yes, indeed, they are.

The **Chairman**. Any further questions?

[No response.]

The **Chairman**. If not, we thank you for your contribution. We are very happy to have you.

Mr. **Volkmer**. Dr. Tombaugh, we do have it.

Mr. **Tombaugh**. Thank you.

The **Chairman**. The next panel is Mr. James Green, Mr. George Ammons, Mr. Norfleet Sugg—that is the next panel, I am sorry—James Green and George Ammons—North Carolina Coalition of Farm and Rural Families and National Save the Family Farm Coalition.

We are very happy to have you here and we will proceed as your name appears on the witness list. Mr. Green.

STATEMENT OF JAMES P. GREEN, JR., EXECUTIVE DIRECTOR, NORTH CAROLINA COALITION OF FARM AND RURAL FAMILIES, INC.

Mr. **Green**. Thank you very much. On behalf of the North Carolina Coalition of Farm and Rural Families, I would like to express my gratitude for having this opportunity to testify before this committee.

I am particularly here today to voice my concern about the severe crisis that currently exists in the Nation's minority farm community. After sharing some rather shocking statistics with you, I will discuss several policy recommendations that I will ask you to consider when you are pondering the 1990 farm bill.

There has been a severe agricultural crisis for small farmers in this State, but the problem has been even more severe for minority farmers. Black farmers across the Nation are losing their land at 2½ times the rate of other farmers. Currently, black farmers are losing on average more than 1,000 acres per day. In 1910, blacks owned about 15 millions acres of land. Today that figure has fallen to below 5 million.

The problem has also been severe in North Carolina. According to the 1987 U.S. Census of Agriculture Statistics, there has been a 50-percent decrease in the number of black farms in North Carolina between 1978–87. During that 10-year period, the total acreage of black farmland decreased from 490,105 acres in 1978 to 273,396 acres in 1987, a 44-percent decrease. That also represents a 79-percent decrease from the 1.3 million acres that blacks owned in 1950.

The U.S. Civil Rights Commission, in a 1982 report, entitled "The Decline of Black Farming in America," found that "unless the policies of the U.S. Department of Agriculture are changed, there will be no more black farmers by the year 2000," and that is just 10 years away.

Historical patterns of discrimination, neglect, lack of access to capital, unequal marketing opportunities, and limited education are all factors that have contributed to the decline of minority-owned farmland.

To solve this problem, I would like to make the following policy recommendations that I ask you to consider as a part of your 1990 farm bill.

First of all, we need the development of a national minority farmer and land registry. This would be a computerized data base that will include the name and legal description of the acreage owned by minority farmers and this would be prepared on a county-by-county and State-by-State basis. This is needed so that programs that offer special assistance to minority farmers would be better able to implement them if they had a registry or a list of all minority farmers in the country. It would also allow for the sale and exchange of property in a manner that would halt the depletion of minority farmland.

We also encourage the development of target participation rates. These rates should be determined on a county-by-county basis. And we are just asking that the programs of the Department of Agriculture and other Federal programs—that the benefits of those programs be distributed according to these participation rates.

And finally, I would ask that you support a strong education and outreach program designed to help the minority farmer and other limited resource farmers as well.

To accomplish this purpose we ask that the Department of Agriculture be authorized to make grants, contracts, and other arrangements with community-based organizations, 1890 land-grant universities and other educational or nonprofit entities that have demonstrated support or demonstrated experience in working with limited resource farmers.

Organizations like my organization, the North Carolina Coalition of Farm and Rural Families, are very important to small and limited-resource farmers, particularly minority farmers.

If these measures are adopted, then hopefully we as a nation will be able to arrest the rapid decline of minority farm ownership in this country.

I appreciate having the opportunity to testify before you today. Thank you very much.

[The prepared statement of Mr. Green appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Ammons.

STATEMENT OF GEORGE N. AMMONS, CHAIRMAN, SUBCOMMITTEE ON MINORITY RIGHTS, NATIONAL SAVE THE FAMILY FARM COALITION, AND BOARD MEMBER, UNITED FARMERS ORGANIZATION

Mr. AMMONS. Mr. Chairman, members of the House Agriculture Committee, my name is George Ammons. I am a small turkey farmer and row crop farmer from Duplin County, North Carolina. I am a member of the board of the Rural Coalition, a national coalition of farm and rural groups. I also chair the subcommittee on minority rights for the National Save the Family Farm Coalition and I am a board member of the United Farmers Organization.

I have been telling the plight of the black farmer for the last 5 years. I have identified black farmers as an endangered species, hoping for specific attention to be focused on our needs and hoping that we can continue on our land.

As you know, the 1982 U.S. Civil Rights Commission Report gave details on the problems we were facing and still face.

Most small farmers are also faced with the common problem of debt and credit. Recently, Farmers Home Administration has gone to the guaranteed loan program instead of the direct loans. This problem is continuing to force us out of farming because credit is just not accessible to us at commercial institutions at reasonable rates.

As you know, Farmers Home Administration was set up to provide services for small and limited-resource farmers but since Farmers Home has gone to guarantees, it is not serving the small farmers. This hurts us all, black and white.

I hope you can understand the predicament we are in when we try to secure credit. I urge each congressional Member who is here today to get Farmers Home back to providing serious backing to those farmers which Congress intended the agency to support. We want direct loans and direct assistance, not inaccessible guarantees.

We also have other concerns and those are being voiced through the National Family Farm Coalition and the United Farmers Organizations proposals for the 1990 farm bill.

In these proposals is a set of special provisions for minority farmers—black, Indian, and Hispanic farmers.

We urge each of you to support these provisions which are now being called the socially disadvantaged farmers legislation. I believe that this particular piece of legislation will enable us, the existing minority farmers, to continue and it will encourage our children and other young people to become farmers.

Owning land is the American dream and your support in this endeavor will help ensure the survival of minorities on the land and will ensure our ability to continue providing food and fiber for ourselves and the Nation.

To the members of the House Ag Committee and others who are present today, I thank you for the opportunity to be heard. I hope that I will be around to share my views with you in the future.

Thank you.

[The prepared statement of Mr. Ammons appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. Are there questions of either of these witnesses?

Mr. VOLKMER. Could I ask a question, Mr. Chairman?

The CHAIRMAN. Mr. Volkmer.

Mr. VOLKMER. Mr. Ammons, how long have you been farming?

Mr. AMMONS. Fifteen years.

Mr. VOLKMER. How did you first start farming?

Mr. AMMONS. My father.

Mr. VOLKMER. Through your father. Did you acquire land or did you just farm through your father and inherit?

Mr. AMMONS. I acquired it through inheritance.

Mr. VOLKMER. Through inheritance. And you have talked about the problem of credit. Your loans in the past have then come from Farmers Home?

Mr. AMMONS. Well yes, Farmers Home and Farm Credit.

Mr. VOLKMER. And Farm Credit.

Mr. AMMONS. Yes.

Mr. VOLKMER. Not commercial?

Mr. AMMONS. Well some commercial loans, but the rates are so high that you cannot compete with the average large farmer because any time you get a volume you are going to get a better percentage rate on the interest on the money, and that is really a plus factor when you are talking about profit on a large scale, because—that is a problem that small farmers suffer and we are having to pay 15 and 16 percent rates and if the points were down where we could compete, say for instance 7 or 8 percent or 9 percent, we would be able to stay in the marketplace. If the profit margin is at the marketplace right, we could compete then, but what it is, we just have low commodity prices and that is one reason that is running us out again.

Mr. VOLKMER. Thank you, Mr. Chairman.

The CHAIRMAN. Any further questions?

[No response.]

The CHAIRMAN. Either you, Mr. Green or Mr. Ammons, are either of you involved in tobacco? The program is a program that if you have a quota or an allotment, they do not go asking are you black or white or red or yellow. Do you see a problem with that program?

Mr. GREEN. We have not dealt with that particular one.

The **Chairman**. Same way with peanuts which are the prevalent crop in this area.

You are just talking generally how to survive on the farm, that it is much more difficult for a minority person, is that your testimony?

Mr. **Green**. Yes, and also that minority farmers, for whatever reason, do not seem to benefit from Federal programs. For example, it has been estimated that less than one-quarter of all minority farmers have been assisted by the USDA programs.

Mr. **Volkmer**. Mr. Ammons, as I understand your testimony, your testimony was that you are in turkey production and what else?

Mr. **Ammons**. Row crops.

Mr. **Volkmer**. Corn or soybeans?

Mr. **Ammons**. Corn and soybeans.

Mr. **Volkmer**. Do you use it for feed for your turkeys or is it a cash crop?

Mr. **Ammons**. I am on contract.

Mr. **Volkmer**. Turkeys are contract?

Mr. **Ammons**. Yes, sir.

Mr. **Volkmer**. And the other is a cash crop?

Mr. **Ammons**. Yes.

Mr. **Volkmer**. Do you have a base on your corn?

Mr. **Ammons**. Yes, I do. We have been trying to put together a minority rights bill and what it is, that does not break down different commodities, and we are asking in that bill of rights, a percentage of all the commodity rates be turned back to minorities. I am quite sure that all the congressional Members have a copy of that minority rights bill that we have been trying to push. We are definitely asking for your support on the bill. I think that would help prices and things and give the minority farmer an equal share of the marketplace and give a fair and equal share of what you are talking about on the tobacco. In the ASCS Stabilization whenever you have a large supply of tobacco or whatever and it is distributed out, the small farmer still does not get a share of that because it is distributed out before it ever reaches him. We are asking that certain percentages—we are asking to do it on a percentage basis so that we can get our fair share of the commodities that are distributed out from ASCS.

The **Chairman**. Thank you very much. We will take a very close look at that and if you have any further suggestions, kindly just forward them on to us, we will be very happy to work with you.

Thank you very much, we appreciate you being here.

Now we have the North Carolina Peanut Growers; Norfleet Sugg, Bobby Jordan, Harvey Batson, Everett Burd, and Wilbur Ward.

STATEMENT OF NORFLEET L. SUGG, EXECUTIVE SECRETARY, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. **Sugg**. Mr. Chairman, I want to welcome you to North Carolina again. My name is Norfleet Sugg. Most of you know me as Fleet, since I used to be in the U.S. Navy in World War II. I was not on that submarine though that gave out of fuel.

We hope you have enjoyed the peanut gift we have given you and to show you the unity that the Nation's peanut growers have, we have——

Mr. VOLKMER. We could not stand them, we ate them all.

Mr. SUGG. It is the best looking taste panel I have ever seen.

We placed some peanuts from Virginia, South Carolina, Georgia, Alabama, Florida, Texas, Oklahoma and New Mexico in that container, but you cannot pick it out because they are all in there in unity, and that is the very reason why. [Laughter.]

The Nation's peanut growers are the same way.

Also, it is very fitting——

Mr. HATCHER. The chairman said the Texas peanuts were bigger in here.

Mr. SUGG. I did not expect any different from him. There are one or two from Missouri, if you will pardon me.

You gentlemen are being flanked today by two outstanding flags, the American flag and believe me, agriculture has always been the bedrock of this great country of America, and then the 4-H flag, green and white, and it has a motto that says "To make the best better."

We want you to know the 1985 farm bill is the best we have ever had, but with some minor fine-tuning, we can make the 1990 farm bill even a little better.

To present a very brief statement for us is Bobby Jordan.

The CHAIRMAN. Mr. Jordan.

STATEMENT OF BOBBY JORDAN, DIRECTOR, NORTH CAROLINA PEANUT GROWERS ASSOCIATION

Mr. JORDAN. Chairman de la Garza, it is a pleasure to welcome you and your committee to North Carolina and to make a brief statement concerning the peanut title of the 1990 farm bill. We want to let you know how proud and pleased we are to have three North Carolinians serve on your committee, namely: Congressman Charlie Rose, Congressman Martin Lancaster, and the dean of our congressional delegation, Congressman Walter B. Jones. We commend and appreciate the outstanding leadership Congressman Rose gives to the Subcommittee on Tobacco and Peanuts. It is only fitting that this hearing is being held in his congressional district and in this building.

I would like to add right here that I appreciate seeing you eat peanuts and also smoke cigarettes. [Laughter.]

Mr. NAGLE. The Iowa member will not comment. Neither one of us is very bright.

Mr. JORDAN. We peanut growers here today, led by Norfleet Sugg, executive secretary of the North Carolina Peanut Growers Association and a leader in the National Peanut Growers Group, fully support the official testimony presented at the House Subcommittee on Tobacco and Peanuts hearing held on December 1, 1989, in Tarboro, North Carolina, by our association's president, Jerry L. Hamill.

The present Peanut Program is not perfect, but it works. We thank all members of this committee for the dedicated leadership you exerted to pass a workable Peanut Program in the 1985 farm bill. The price support, poundage quota, two-price system is a unique program that offers a fair return to growers, shellers, peanut processors, and peanut product manufacturers, while offering the consumers an economical, wholesome, and tasty food product. The two-price system utilizes quota peanuts for the domestic market and additional peanuts for export or crushing for oil and protein meal.

North Carolina has just under 8,000 peanut farms growing about 155,000 acres, generating almost $130 million of gross sales at the farm level. Some of that gross sales ends up as net profit, which we cannot say about some of our enterprises on the farm. The average size peanut farm in North Carolina is less than 300 acres, which is small compared to many other farm States. Although our farmers grow other crops and livestock, peanuts are our bread and butter. Our family farms and rural communities would be devastated without our present Peanut Program. Frankly, present peanut legislation could be a model for many other farm-food commodities to adopt.

We support our present peanut legislation as it is, or with minor adjustments. You have helped us in the past and we ask for your continued support. The National Peanut Growers Group is unified and supports this position.

This concludes my comments, Mr. Chairman. We would be pleased to respond to any questions you may ask us.

[The prepared statement of Mr. Jordan appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir. Do any of the other gentlemen wish to testify?

[No response.]

The CHAIRMAN. Questions of the group? Mr. Hatcher.

Mr. HATCHER. Mr. Jordan, Mr. Sugg, and the other gentlemen, I would just like to say that I am pleased to hear your comments about the Peanut Program. That is what I hear from the peanut producers and other elements of the peanut industry in the area I represent, which is a fairly large peanut producing area. I am glad to see that we are in accord with that testimony.

Mr. JORDAN. We are glad to hear you say that.

The CHAIRMAN. Any further questions?

Mr. LANCASTER. I would just comment that this fine looking panel is all from the third district, Mr. Chairman, except for Mr. Sugg and he is almost from there.

Mr. VOLKMER. Mr. Chairman, I was interested in Mr. Jordan's statement that perhaps the type of program you have for peanuts would work maybe for other farm commodities. I appreciate that comment.

Mr. JORDAN. We surely believe that. We know that you cannot operate in a vacuum. The world competition and the subsidies by other nations on their products sometimes leaves us in a position we cannot really compete.

Mr. SUGG. This is not a new idea. Senator Dole and others have talked about this. Our peanut growers grow many other crops and livestock as we indicate, and we have a supply management program in peanuts and tobacco, that pays our bills and raises our family and some of the other programs that do not have these, we have difficulty sometimes generating a net profit.

The CHAIRMAN. Mr. Rose.

Mr. ROSE. I apologize to you all for having to step outside for 1 minute. But Bobby, what do you think the biggest problem is that we face—forget about all of eastern North Carolina right now for purposes of this one question—in the counties that are in my district, are there any unique peanut-type programs that we have not taken care of?

Mr. JORDAN. I would say no.

Mr. ROSE. In other words, the problems that we face in Columbus County are unique to the problems that we would face in the whole eastern part of North Carolina?

Mr. JORDAN. Yes.

Mr. ROSE. Fleet, let me ask you this. You know that the last time we had a farm bill, we had some people fighting us as we looked toward just exactly how the peanut section was going to be written. Have you heard or been involved with the discussions about maybe getting the manufacturers a little closer to the process? Have you heard that what some of the manufacturers of peanut products are looking for is a cut or a freezing of the price? Have you all talked about that, have you developed a position on that? How do you feel about peanut farmers taking a price freeze for the life of the 1990 farm bill?

Mr. SUGG. My first response is that we would not want to take a price freeze. If you can freeze all the inputs we buy, we could accept it.

We have met five times, from Dallas to Atlanta to Washington with the large manufacturers. I have met three times with shellers. Basically the shellers, Congressman Hatcher, will support us. I think the large manufacturers want to, but again, our discussion with them has somewhat broken off. So we are prepared—we feel like what we have going for us is unity of the National Peanut Grower Group. On the other hand, we have extended our hand of friendship to all segments of the industry but the bottom line is growers must stay together. Hopefully we are not going to be battling with them, but we are prepared for anything.

Mr. ROSE. Well do they agree that section 22 is important to the future of the Peanut Program?

Mr. SUGG. They do.

Mr. ROSE. And they have said that they will be willing to put their support behind section 22 if we would agree or give some concession on price.

Mr. Byrd, what is your reaction to that?

Mr. BYRD. Well the price concession seems to me like is out of the question. I am a grower and we are operating on small profits right now and I do not know what is going to happen 5 years down the road.

Mr. ROSE. Mr. Batson, do you agree with that?

Mr. BATSON. Yes.

Mr. ROSE. Do you, Mr. Ward?

Mr. WARD. Yes.

Mr. ROSE. And Mr. Jordan, you obviously agree with that also.

One last thing for Fleet Sugg and I will quit. In the last farm bill, we asked you all to send us a jar of generic peanut butter so that we could give every member of the House Agriculture Committee a jar of peanut butter that was just pure farmer peanuts in it, no special packaging, no special advertising, to show the Members of Congress just how inexpensive the peanut butter is. Are you all prepared to do that again?

Mr. SUGG. We are prepared. We also have another Snicker bar for you.

Mr. ROSE. You have another Snicker bar. How many cents worth of peanuts did we decide were in a Snicker bar, Mr. Sugg?

Mr. SUGG. One cent.

Mr. ROSE. Thank you very much. Thank you all.

The CHAIRMAN. The next panel is Tom Trantham—we are going to—Mr. Bailey Williamson, is he here?

With permission of the members, we are going to accommodate Mr. Williamson, he has travel problems, I understand, and we will put him with this group here, this panel that we have here.

Mr. Williamson, we will be happy to hear from you at this time.

STATEMENT OF BAILEY P. WILLIAMSON, FARMER, RALEIGH, NC

Mr. WILLIAMSON. Thank you, Mr. Chairman, Mr. Rose, and other members of the committee. I have no prepared statement for you here today, but I do appreciate the opportunity to come down here and speak to you briefly.

I know there are many issues that will decide what goes into the farm bill—I am well aware of that—the budget, environmental and all of that. However, there are two that I would like to talk to you about that do concern me very much, and I do not know what exactly the position of the U.S. Department of Agriculture is on target and loan prices. I do know at one time further reducing these. I hope they have backed off of that. I see one member of the committee shaking his head.

Well if they have not, let us go back and examine where we were at the beginning of the 1985 farm bill. Let us see where we are today in relation to target prices and loan prices. You will find that they are down substantially from what they were at that time. I think they probably hit the bottom of what the present law allows them to be—I could be wrong on that.

However, in these 5 years while these prices have gone down, nobody talks about inflation, we have had an average of 5-percent inflation each year. Nobody is talking about the fact that Gramm-Rudman is going to kick in and it just means that we are going to have less and less farmers because of a low commodity program—it is just that simple. Not a low food price, that continues to go up, but the price that the farmers get continues to go down.

Now Commissioner Graham spoke on another subject, the thing about the free market. There has never been a free market—never has been and never will be. We hear that we have to be competitive in the world market—bologna. We do set the world market price, but the same people that are hollering this, that buy our products, are the same people that are in these other countries buying their products and while they are telling us that, they are telling them that. It is the old theory of buy cheap and sell dear.

I do not know how we are going to survive if we do not make enough money to maintain a standard of living, pay our bills, and have a little bit of money left over to buy capital goods such as a grain drill when it wears out or a combine. We are going to continue to wither away.

I just hope that when all of this goes before you, when you hold these public hearings outside the beltway and those that you hold in Washington—farmers really have done the best they can.

I saw an article in the paper that made me want to throw up yesterday, talking about how wealthy farmers are and how much money they are soaking the Government for. Thank you, incidentally, for your little blue line that I saw on television when you presented it, shows what a small percentage of the budget goes for agricultural subsidies. I would do my best to publicize that the best that I could. I do not know how you do it up there inside the beltway, and I do not know whether anybody is going to listen to you, but surely the big problem in agriculture—we can talk environmental problems and clean water, clean air and all that, but the main problem is a low commodity program that we have going. How good it would be to go back to the days of Franklin Roosevelt when we talked about parity of putting farmers somewhere in line with the rest of the economy. You mention parity to people today, they think you are crazy. Thank you very much.

The CHAIRMAN. Thank you very much, sir, we appreciate your testimony. We try, but even if I get up on top of the dome, the TV is not going to follow me when you have a pretty looking movie actress on the other side. But what he was mentioning—I went and forgot my chart. I will tell you the story. What Mr. Williamson was speaking about, I was so frustrated that I told our economist on our committee, Chip Conley, I do not seem to be getting across. I cannot articulate it any more forcefully, plainly, clearly, but they are not listening—I am talking about major media in big cities and so on. I said, can we make a graph or a chart of some kind. Everybody now has audio-visual, so I said let us make something visual. He came back and he said it will not work, boss. I said it has to work, make a red graph, superimpose in black what we spend for commodity support programs. He said it will not work. Why? Then he showed me the chart. It is about like $1 trillion, point two, three plus, and you can barely see the line at the bottom. That is us, less than 1 percent. Do not quote me on this, but they stole more money than that during the lunch hour at HUD. [Laughter.]

That is what it is, and you still hear about the excessive cost of American producers. So having forgotten my chart I will tell you that this is a story. It is several billion dollars, no question, but we are now roughly around $10 billion out of $1 trillion and that does not even make a dent.

I am sorry, I am cutting into your time.

Mr. Trantham, we will hear from you at this time.

STATEMENT OF TOM J. TRANTHAM, NATIONAL COCHAIRMAN, DAIRY COMMITTEE, NATIONAL SAVE THE FAMILY FARM COALITION

Mr. TRANTHAM. Congressman de la Garza and Congressman Rose, thank you for the opportunity to be here today.

First, I would like to say on the Peanut Program, I would love to be with them. I would love to be a dairy farmer sitting beside them and sharing that program because I feel it works very well. I would love to be there.

I welcome the opportunity to testify before you today. I am speaking to you on behalf of the National Family Farm Coalition which is comprised of family farmers in 30 States and 41 different organizations. I am Tom Trantham, national co-chair of the dairy committee. I am a dairy farmer from Greenville, South Carolina and have spent the last 4 years working with dairymen all across the country to write a bill that is written by the working dairymen, and meets the needs of dairy farmers in all regions. It also is a reduced cost to the Government and continues to supply a quality product at a reasonable price to the consumer. We could even get that a little smaller, sir, with our bill right here.

Gentlemen, I stand here before you today feeling as a convicted criminal. I am guilty of producing a quality product, guilty for being efficient, guilty for increasing production to meet the lowering farm prices. I feel that you stand over me as a judge with your minds already made up. As I said earlier, I have spent the last 4 years traveling over this great country meeting with family farmers. There I find broken homes, run-down farming equipment, the embarrassment of being guilty of the above charges. But even with this, I still find that overriding optimism of the family farmers willing to devote this time and effort to bring to you the truth.

As we have worked together to come up with this solution many hours, days, months, and years have been spent to outline a new dairy program that will work for the North, South, East, and West. In this proposal we present the ability to supply the Nation with all the milk and dairy products needed. To supply an adequate reserve at the lowest possible price to the American consumer and Federal Government, at the same time providing fair price to the farmer so that he too can paint his barn, repair his equipment, and just maybe buy that new pickup.

Gentlemen, this is a system based on inventory management and a two-tier pricing system tied to a cost-of-production formula that reflects the ever-changing cost of supplying a quality product. This is from the farmer, we are the ones who are going broke, we are the ones that are losing our land, this is what it will take. We are asking you to know and understand our situation and take action. You are hearing this from the people with the problem. What we say is the truth.

You may hear some isolated cases where dairy farmers are doing extremely well—and I would like to know what his wife does or where his wacky patch is because he ain't making it milking cows. But for every one that is doing well, I can bring you 10 good ones that are going under, that are losing their families, their homes, and their way of life. I understand that as we become more efficient, we might lose some of our fellow farmers, but with our proposal, sir, we can become efficient, extremely efficient. Inventory management will allow us to continue the number of dairy farmers that it takes to make milk available to all the American people in all of the States. It will prevent having to concentrate it in any one area or having to truck it long distance across America; that is inefficiency, gentlemen.

Efficiency is producing at least a major part of the milk in South Carolina by South Carolina dairy farmers; Tennessee, Alabama, Vermont, or Maine, wherever, by the farmer. The ability to produce that product locally creates local revenue that tends to buy that local firetruck. We all pay local school and property taxes. All of these things that we are doing are very important and are being overlooked. As we get rid of the farmers with this increased concentration and mass production, the Federal Government will end up carrying the load. We will not be able to buy the firetruck and somebody has to buy it. The taxpayers are going to have to buy it. Or we can stay in our communities and thrive. Our communities can thrive with the small-family farmer being a part of it. The importance of the family farmer is not to just provide a quality product, but to be the Sunday school superintendent or to be on the school board or to be part of the local volunteer fire department or just to be there, sir—just to be there in this great Nation. As we need to be there and need you, sir, to see that we are there. This is the reason for this proposal. It is to reaffirm a fair and just lifestyle for the family farmer.

We are here today asking you to support this new direction and to mold this idea into a law.

Thank you, gentlemen, thank you, Congressman Rose and God bless you.

[The prepared statement of Mr. Trantham appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Bunting.

STATEMENT OF BENNY BUNTING, PRESIDENT, UNITED FARMERS ORGANIZATION

Mr. BUNTING. Thank you. My name is Bennie Bunting, a Martin County, North Carolina, farmer. Today I am speaking before you as president of, and on behalf of, the members of the United Farmers Organization, which is the UFO.

The first item today is to welcome you, the members of the House Agriculture Committee, to North Carolina and to thank you for your participation in this field hearing.

I will be submitting written testimony prepared by several members of the UFO covering many aspects of the farm bill. My oral remarks will consist of several points from each of those testimonies.

Our membership thinks that farm policy in general needs a change of direction. We recommend that the direction be patterned after the Peanut Program.

Production management is a policy direction to strengthen rural America and insure food security for the Nation. Production cost formulas are most important to farmers. Active farmers should be consulted in preparing the formulas. All commodities should be involved in this process. Production management is a cooperative effort in that the Secretary of Agriculture establishes the cost of production plus a reasonable profit; then the farmers contract and agree to plant according to need. Increases or cuts in production are made as need demands, not price, since price is a constant.

The best evidence that this system would be better for American farmers is proven by the GAO—and I am assuming that this is GAO projections that the FmHA uses in its restructuring calculations. Every single program commodity—let me explain what this is for those that do not know. This is a projection out into the year 1996 for all our commodity loans in this country. It shows what percent of change from 1989 will occur. Every single program commodity except three dropped dramatically in price in the coming years. It is an average of about 21 or 22 percent. You guessed it. The production managed crops; peanuts, tobacco, and sugar, show increases. Production and living expenses show increases of about 20 percent in this same formula, but if production cost formulas are figured properly, peanut farmers will keep pace while others who grow grain will see their losses grow to insurmountable levels.

This, if it is true—if this is the direction that the 1985 Food Security Act has us moving in, we are in trouble. The FmHA sent out notices to 80,000 farmers, 46,000 did not respond, so we know that those 46,000 are off and gone. The other 100,000 farmers that we have lost over the period since the 1985 Food Security Act does not show well for its worth to the American farmer.

We have heard some reports that Federal crop insurance might be a requirement for participation in farm programs. If so, first it should be figured into the cost of production formulas that establish target prices.

The insurance should have coverage that covers potential yields. There are many inequities in this area. For example, our apple growers, they have expensive coverage but it is for $600 an acre to replace expected income that would have been $2,000 an acre. Another problem is proven history for new insurance, it does not calculate because it is hard to come up with. You have to use the county average.

Among the largest failings of the FCI is that it does not include coverage for livestock producers. Livestock production is an integral part of American agriculture.

While we are talking about livestock producers, let us mention how the drought legislation failed to help the livestock people. The bill translates into emergency coverage for crops because all natural occurrences that harm producers are considered, but nothing is related to livestock losses. Also, as a group, nonprogram crop growers in some areas are having trouble collecting benefits.

Another item, appointed trade negotiators should not circumvent elected officials in establishing farm policy. Please project a legislative process that allows public comment on all decisions. And, as important as section 11 and section 22 of the trade bill are, why are they not a part of the farm bill itself?

Some more concerns I have listed—a couple of these are credit issues. There is a definite need for a legislative right to sue the

Farm Credit System. That was indicated in the 1987 Credit Act, but it has not been upheld by the court system. So they turn it back to the legislative process. We need that issue resolved.

Farm Credit System restructuring has not lived up to expectations. Many times sales are forced, especially if there is equity involved, sales are almost automatically forced. And they are not using the first right of refusal, it is always an offer to the public.

Farm Credit System penalizes smaller operators, charging them the highest rate of interest even when at times they are oversecured.

FmHA is definitely improving under the 1987 Credit Act but needs to work closely with borrowers on farm and home plans without unauthorized changes.

FmHA should work progressively to develop a feasible plan even if they have to run the DALAR$ Program more than once.

FmHA should make sure former owners' rights of first refusal take precedence over wildlife deed restrictions.

Minorities should have equal access and opportunities for all programs. We support legislation to assure this right.

One of the things that was mentioned awhile ago in talking about the different programs, the reallocation programs sometimes could be used in a discriminatory way because that is applied for and a lot of times the minority farmers do not know what is available in that reallocation pool.

Current farm policy has endorsed and even encouraged concentration in the food industry. We have lost countless thousands of family farmers. Many of those left are in the livestock production and are now on contract to these concentrated giant corporations. While many people sing the praises of these giant integrators evolving in North Carolina, we differ and mourn the loss of family farms. We see a real danger in the contract systems where large companies get farmers into debt bondage and then dictate verbatim all aspects of production.

Contract farmers see land-grant college advances as free research and development for corporations. They will take advantage, by requiring these contract farmers to upgrade equipment and facilities, thereby encouraging more debt without offsetting return.

We appeal to you, the Agriculture Committee, to strengthen the packers and stockyards language and jurisdiction. Make sure contracts are fair, honest disclosures of hidden facts are given, an appeal system for reprisals and cutoffs is in place and help farmers set up growers associations. Our thoughts and recommendations are for a new direction and a prosperous change in agriculture.

Thank you for your attention.

[The prepared statement of Mr. Bunting appears at the conclusion of the hearing.]

Mr. HATCHER [acting chairman]. Thank you, Mr. Bunting.

Our next witness is Ms. Betty Bailey, executive director of the Rural Advancement Fund from Pittsboro, North Carolina.

STATEMENT OF BETTY T. BAILEY, DIRECTOR, FARM SURVIVAL PROJECT, RURAL ADVANCEMENT FUND

Ms. BAILEY. First I want to thank you for the promotion, there is an error, I am not the executive director, I am the director of RAF Farm Survival Project, but I have been working for RAF for the last 10 years with thousands of farmers throughout the Carolinas. RAF is headquartered in North Carolina, we are more than 50 years old and have been working for that more than 50 years for the preservation of the family farm.

A number of the written concerns I have presented to you in my written testimony I will not go over because other people have made a lot of those points. For example, the points about fair commodity prices and handling of inventory were made very well by Mr. Trantham, Mr. Bunting, Mr. Sugg, and other members of the Peanut Growers Association. Also the points about the need for a special provision for minority—black and minority farmers were made very well I think by Mr. Green and Mr. Ammons. And Mr. Bunting's points about trade and the importance of Congress maintaining the responsibility of setting our agricultural Federal policy rather than our trade negotiators I think was well made. Also the point about corporate concentration in the food industry and in agriculture and in the particular situation of contract farmers, I think Mr. Bunting made some good points. I would just like to reinforce that one, that I think it is ridiculous that someone who has a Kentucky Fried Chicken franchise has more rights than the farmer who grows that chicken. This is something where I think Congress has been a little absent in trying to protect the contract farmer and there needs to be some more action. This is a great opportunity with the 1990 farm bill to include some provisions on that.

There are three areas that I would like to focus in on. One is on sustainable agriculture—low-input sustainable agriculture, the second is on biotechnology, and the third is on our senior citizen farmers.

Our first concern, sustainable agriculture, I think there is a whole lot of disagreement about what we want in the 1990 farm bill on this subject, but it certainly is clear that there is going to be something in the 1990 farm bill. So I would just like to share with you what our views are about some of the provisions that should be included there.

The first is that RAF feels very strongly that all the opportunities and access to use those sustainable methods as opposed to chemical intensive methods, that access and those opportunities ought to be first of all for our traditional family sized farmers as well as hobby farmers and people newly getting into it or corporate farmers.

Second, that we need to remove some obstacles and barriers that already exist in our farm programs that prevent farmers from using fewer chemicals in their farming operation. And those include farmers not being able to rotate crops because they will lose some of their base. I think Senator Fowler's bill addressed that issue and perhaps Senator Leahy's bill has addressed some of these other issues.

A second barrier, prominent barrier, is in the lending world. Farmers Home Administration, the Federal lender, and Farm Credit System, the quasi-Federal lender, are very reluctant to lend operating money to farmers who are using sustainable practices. They refer to it as experiments and not good management practices. Those obstacles need to be addressed.

There is a need for technical assistance and I understand some of the bills under consideration provide for that, but we are concerned that this technical assistance be developed by people who are practicing farmers with a track record of success in sustainable agriculture, that the input of practicing, working farmers is very important and any kind of guides or instructions that are developed ought to be regional in nature and ought to have a lot of input from these kinds of farmers.

We also think that the Government ought to give incentives to family farmers to transition to more sustainable practices and one method would be to provide cost-sharing agreements. That has worked real well here in North Carolina with certain conservation practices and we think that ought to be adopted nationally. For instance, if a farmer wanted to use green manure instead of chemicals to enrich the soil, then cost-sharing would be a method for encouraging that.

We think that the LISA Program is working and that that ought to be continued, particularly the funding for on-farm demonstrations and on-farm experiments. There is only so much that can be convincing to farmers about work that is done in the laboratory. It is a lot more convincing to have our neighbor who is demonstrating something on his or her farm.

And finally, we believe there ought to be a farmer reserve created because with soils, at least the condition of the soil here in our part of the country, there has been so much depletion in the soils, in order for that to be enriched and more organic or less chemical intensive methods to be used, is going to involve a transition period of several years and during that period the farmers may have some kind of reduction in their yields. And if so, they ought to have a farmer reserve to draw on so that they are not penalized for making this transition.

The second area of biotechnology, we experienced in this century, in the early part of the century, a major revolution in agriculture and that was with mechanization and that had many good results but in this part of the country it also had many negative results. That is when we had the single largest out-migration of people from the farmland that has ever been experienced in this country, from here in the South, people moving to the cities from the land because of the changes that came about so rapidly through mechanization.

It is no secret, I am sure to you, that we are about to go through a similar revolution and that is with biotechnology and genetic engineering. We believe that Congress needs some kind of mechanism to have independent research and analysis and evaluation of the socioeconomic impacts of the introduction of biotechnology in agriculture. A case in point is synthetic bovine growth hormone. As you probably know, BGH has the capacity to increase our milk production by 30 percent, but by a recent Cornell University study it also has the capacity to reduce the number of family sized dairy farmers by that same amount.

Before BGH or any other biotech product is made available and is approved by FDA, we feel like Congress needs some kind of mechanism in place to thoroughly evaluate that because use of technology is not neutral and it can be negative or it can be positive, and you have a responsibility to thoroughly examine that.

Finally, I would just like to say something about our senior citizen farmers. Here in North Carolina, the average age of a practicing farmer is 59 years old. These farmers have worked most of their lives. They have been productive and rocks of their community. They have had to struggle to own and keep their land and 1980 really devastated many of these farmers through no fault of their own.

You did a lot of good work in the Agriculture Credit Act, but there is a gap when it comes to our senior farmers. The homestead protection does not really apply well in their situation because unrealistic values are causing them to not be able to afford buying or leasing back of their farms. The restructuring does not work well in their situation because that becomes based on 20-year unrealistic farming plans that have them, if they are 60 some years old, planning to farm 20 more years at peak levels.

So we recommend that there be some kind of special provision for our older farmers in the 1990 farm bill to cover their homestead and debt restructuring needs. And finally that there be some attention also paid to the health care needs of our elderly farmers. Most have very little in Social Security, no pension, they have had to give up whatever health insurance they had and right now most are having to decide between keeping the land or getting health care and a lot of times they choose to be sick rather than give up their lands. People are having to sign over their land in order to qualify for most benefits of health programs. So I would like you to pay some attention to that as well in the 1990 farm bill.

And I thank you very much for your attention.

[The prepared statement of Ms. Bailey appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Ms. Bailey.

Any questions of this panel? Mr. Volkmer.

Mr. VOLKMER. On the biotechnology, would you consider research and an end-product that would rid soybeans of the nematode to be something that we need to look at, or corn seed—right now what is going on in my district, my State, corn seed that will not be susceptible to the corn root worm. Is that something that we should be worried about?

Ms. BAILEY. I think you should pay attention to all the impacts of it, sometimes things on their face value are not really what they are. I think it is possible that could be a wonderful new technology for us if we are able to rid ourselves of pests by using biotech.

Mr. VOLKMER. Or disease.

Ms. BAILEY. And disease. But from what I understand, a great deal of the research that is coming under the heading of being protection against disease, is also what they call herbicide resistant and what that means in reality is that the plants will be able to tolerate a lot more herbicides and in fact need a lot more herbicides, and that may not be a positive result for us as far as the future of our land and the expense that that provides the family farmers. So that would just be something to pay attention to.

I am certainly not taking the position that all biotechnology is bad, there are many wonderful things being developed through biotech.

Mr. VOLKMER. That is what I was wondering about.

The CHAIRMAN. Mr. Hatcher.

Mr. HATCHER. Mr. Bunting, what did you have in mind about legislative right to sue the Farm Credit System?

Mr. BUNTING. A borrower does not have the right to sue the Farm Credit System now. It has been ruled in the eighth circuit court of appeals that Congress in the 1987 Credit Act did not intend that. When you look back at the history of the bill, they said the right was inherent.

Mr. HATCHER. You mean to sue to get a review of a restructuring or something, or what?

Mr. BUNTING. No, you just cannot sue the Farm Credit System.

Mr. HATCHER. Well, is that what you are talking about, restructuring situations or other situations?

Mr. BUNTING. Yes, sir, restructuring, judicial liability in general, there is no provision that allows you to sue Farm Credit right now.

The CHAIRMAN. Mr. Rose.

Mr. ROSE. Mr. Trantham, when were you in my office in Washington talking to me about this dairy section?

Mr. TRANTHAM. About 3 months ago, sir.

Mr. ROSE. You asked me to talk to some dairy organizations about your proposal and I talked with a great many people and I have not had a chance to tell you personally, but I will tell you now that the farm organizations that I talked to about your proposal like it, they think it is a good proposal. The problem is that it is a radical change from what is in place now. Many of them are not sure that the system could change that quickly. There will be some regional areas, regional differences in just how that would apply, but you are basically talking about a supply management Dairy Program and when you get some of these dairy people down and talk to them privately without a microphone in their face, they say that is not a bad idea if we could put all the pieces together.

So my message to you is hang in there, you are moving in the right direction, there are a lot of people that believe supply management dairy is the way to go for the dairy farmer and to save the country a bundle of money. So stick with it, you have a good idea.

Mr. TRANTHAM. Thank you, Congressman, and we appreciate your work and effort with it. Supply management, but do not forget price.

Mr. ROSE. Oh, absolutely, that is the bottom line.

Mr. TRANTHAM. Right. [Laughter.]

The CHAIRMAN. Further questions.

[No response.]

The CHAIRMAN. Ms. Bailey, I have one question that I would like your impression on. One of the problems that we are having now, related or unrelated to your suggestion that you view socioeconomic studies and impacts, is that labeling and basically food testing, et cetera, is in the Food and Drug Administration and I do not know if they have someone knowledgeable in the agricultural sector or not. I endeavor to find out and I do not get any answers. That is one of the problems now. The discussion has begun as to whether USDA should do labeling and food testing, et cetera, rather than at the Food and Drug Administration, which is probably more technical in areas of medical components, et cetera, and not the basic food chain that the Department of Agriculture through ARS and APHIS, you can follow. What would be your feeling toward—again it may be too radical just to say move it from FDA, like Mr. Trantham—move it from FDA to Agriculture, but a gradual bringing back to Agriculture what should be Agriculture's. Would you agree or disagree with that?

Ms. **Bailey**. Well I think the Agriculture Committee of the House has to have some say-so about applying technology because it is going to make such massive changes in what happens in agriculture. It will change everything that the committee does. So I am not sure what the proper protocol or mechanism is, but it needs to be there because you are elected, you are not appointed, you are responsive to the people.

The Food and Drug Administration gets a great deal of its information from the companies that produce these biotechnologies that have a self-interest in having them be marketed as quickly as possible. We need people who are listening to their constituents to be a check and balance on that. It is going to be the next major revolution in agriculture and it is going to change everything. And it would be a shame if you abdicated your responsibility to take charge of that.

The **Chairman**. Thank you very much. Well we will not abdicate it, we may be forced into it but we will go down kicking and screaming. [Laughter.]

Thank you very much.

The next panel is Ms. Emily Crudup, Ken Dawson, Nancy Barnhardt, Erick Umstead, and Bill Holman.

I understand Mr. Holman is not here, but someone might speak in his behalf. Is there someone present to represent Mr. Holman?

[No response.]

The **Chairman**. Well if he or another witness should come, regardless of the fact, if there is a prepared statement, it will be printed in the record.

Ms. Crudup.

STATEMENT OF EMILY CRUDUP, MEMBER, RURAL LANDSCAPE OPEN COMMITTEE, AMERICAN SOCIETY OF LANDSCAPE ARCHITECTS, ON BEHALF OF DUANE COEN, PRESIDENT-ELECT, NORTH CAROLINA CHAPTER, AMERICAN SOCIETY OF LANDSCAPE ARCHITECTS

Ms. **Crudup**. Good afternoon. Mr. Chairman, my name is Emily Crudup, I am a member of the American Society of Landscape Architects Rural Landscape Open Committee. I am a registered landscape architect with the State of North Carolina and I am involved with land-use planning at the local level in a rural area of our State. I am also appearing before you today on behalf of Duane Coen, the president-elect of the North Carolina Chapter of the

American Society of Landscape Architects and editor of the national newsletter "The Rural Landscape." I would like to thank you for the opportunity to appear before you today and present ASLA's position on the proposed 1990 farm bill.

The American Society of Landscape Architects recognizes rural landscape as a complex of ecological, economic, and cultural qualities on which human and other life forms are dependents. The society considers the continued loss and misuse of the rural landscape unwise and threatening to present and future generations.

The society is committed to the advancement of the public's awareness, understanding, and appreciation of the rural landscape as a limited resource which is vital to the health, safety, and welfare of the Earth's life forms.

ASLA affirms its belief that the essential qualities of rural landscape can be conserved, while accommodating human needs through sensitive integration of human land uses with natural systems.

The Society encourages the application of sound principles and practices of wise land-use planning, design, and management to ensure conservation of the rural landscape for the benefit of future generations.

Many of us enjoy the farm and forest patterns, rolling hills, creeks and rivers as we travel from one town to the next. Here in North Carolina, the natural beauty of our countryside is often cited by newcomers as an incentive for locating here. While the scenic quality of the rural landscape provides enjoyment, many of us also enjoy the appearance of good stewardship in the countryside. The 1990 farm bill could, one, protect scenic rural landscapes as a visual resource and two, create more attractive rural landscapes by making American farmland a more vivid demonstration of good stewardship.

Aesthetic conservation of the rural landscape is a complementary partner to soil, water, and habitat conservation objectives recognized in the 1985 Food Security Act. It is ASLA's position that protection of aesthetic quality should be included along with other conservation objectives within the conservation reserve and conservation easement programs.

Including aesthetic quality as a goal of the 1990 farm bill directly benefits other components of the bill. It can promote farmer participation in the Conservation Reserve Program, support rural economic development, help maintain open space, and will enhance the ecological diversity of rural landscape.

Several years of research by Prof. Joan I. Nassauer of the University of Minnesota and others, has shown that farmers really care about how their land looks. My own experience with farmers in North Carolina reinforces that research. If conservation practices are attractive and enhance the look of the land, then farmers are more likely to participate in the Conservation Reserve Program.

Aesthetic conservation could be used to target types of CRP land with a multitiered approach. Carefully selected, highly-erodible smaller parcels could be protected under CRP at higher bid rates, while a second level of CRP will allow for some economic use when attractive conservation practices like strip cropping or terraces are used. Finally, fragile lands that have never been cultivated, but those which may be steep, rocky, or scenic, would qualify for CRP under much lower bid rates.

Conservation of visual resources is an important component of tourism and rural economic development. Driving through the countryside, picking your own strawberries, or tagging your own Christmas tree or visiting the small town festival can be motivated as much by the experience of getting there and being in the countryside as by the need to purchase local produce. Aesthetic conservation in the rural landscape could lead to the development of new economic pursuits that help rural areas retain their essential character. These pursuits might include hiking, biking, skiing, boating, hunting, fishing, shopping for antiques or local crafts and rural bed-and-breakfasts.

As we leave Raleigh or Charlotte or Fayetteville, we notice a distinctly different landscape. Aesthetic conservation near urban centers becomes a particularly important factor relating to the quality of urban life. Clearly, urban and rural people share an interest in farmland; therefore, we must protect farmland and we must protect its aesthetic quality if it is to serve as an open space resource.

Ecological diversity embraces the need for a varied land cover pattern. Including trees and other native plantings in the land cover pattern and extending the range of ecological preserves will tap the potential for increased ecological diversity within the fabric of agricultural land use.

The failure to address aesthetic conservation more comprehensively in the 1985 farm bill was a real loss of opportunity. As management prescriptions were developed for the more than 30 million acres in the Conservation Reserve and potential easements on FmHA land, aesthetics could have been considered at the same time as soil, water habitat conservation. CRP land could be not only ecologically sound but attractive in a way that helps people appreciate its ecological quality while at the same time promoting appropriate rural economic growth. Our hope is that this opportunity will not be lost as the 1990 farm bill is developed and implemented. Mr. Chairman, along with this statement, I would like to include the following materials for the record:

"Position paper for the ASLA Policy on the 1990 Farm Bill;"

"Implementation Concepts for the ASLA Policy on the 1990 Farm Bill;"

"The Aesthetic Benefits of Agricultural Land," by Joan I. Nassauer;

Letter of support from the ASAE Countryside Engineering Committee; and

"A Hard Look at USDA's Rural Development Programs."

It has been a great pleasure to appear before you today and I would be happy to respond to any questions that you may have now or in the future.

[The prepared statement of Ms. Crudup appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much. The enclosures will appear in addition to your statement. If you will kindly remain with the other witnesses, we will get to questions.

Mr. Dawson.

STATEMENT OF KENNETH R. DAWSON, MEMBER, CAROLINA FARM STEWARDSHIP ASSOCIATION

Mr. DAWSON. Thank you.

I am a vegetable grower from Orange County, North Carolina. Together with my family, I operate a small farm on which we raise produce to sell in the local area. All of our vegetables are marketed as organically grown because we do not use any synthetic fertilizers, pesticides, or herbicides. I am aware that a lot of people think that that cannot be done, but I know that it can because I do it.

Our produce is in much demand both for its overall quality and for the fact that it is grown without pesticides. Although our acreage is small, we are making a living on it and we do not receive any Government subsidies to make that program work.

I am a member of the board of directors of the Chapel Hill Farmers Market, Inc., which is a nonprofit, democratically run membership of small family farmers whose purpose is to operate farmers' markets which provide a direct retail outlet to local farmers, thereby promoting local agriculture, and also to provide an alternative buying arrangement for consumers where high quality produce is available at a reasonable price, in an atmosphere that is conducive to exchange of information between the consumer and the original producer of the product. The market helps to bridge the ever-widening gap between farmers and town-dwelling consumers, thereby promoting greater understanding.

It is operated on space provided by the town and it is highly successful. Last year the market served approximately 80 vendors ranging from part-time gardeners to full time vegetable growers to tobacco farmers who are diversifying into vegetables. We believe that to assist in setting up markets such as this is an excellent way that the Government can support small farmers.

I am also a member of an organization called Carolina Farm Stewardship Association, which is a nonprofit membership association of farmers and consumers dedicated to ecological farming methods and the development of a healthy, sustainable agriculture in America. CFSA is now in its 10th year of existence in North Carolina and has approximately 500 members. The past 4 years we have cosponsored, along with North Carolina State University and A&T University, alternative farming field days in order to facilitate the spread of information about environmentally sound and economically profitable farming methods. CFSA has received a $100,000 LISA grant and hired a director for this 3-year research project.

We also administer an organic grower's certification program that is now in its third year with about 50 growers certified and another dozen pending. There have been about 100 requests received for information about this program in recent months.

We also have a legislative committee that is currently studying the issues related to this farm bill and we would like to have the opportunity in the future to have further input into the process when the membership has established a formal position on some of these issues.

The remainder of my comments are based on conversations that I have had with other growers in my area.

We believe it is in the national interest for Congress to take strong action in the area of conservation of natural resources and protection of the environment. Our future food security depends both on the preservation of our farm land and the development of agricultural systems that are sustainable over time and do not destroy the quality of our water and our environment in the process. We would support legislation such as Senator Fowler's, Soil Conservation and Water Protection Act, as a positive step toward achieving that goal.

Of more immediate concern to growers like myself is the prospect of Federal legislation defining and regulating the production and marketing of organically developed food. We have serious concerns over the possibility of passage of a bill such as Senator Leahy's, Organic Foods Act. On farms such as mine we must conduct a lot of experimentation and research because we have been able to get very little information from the Extension Service about raising food without extensive use of pesticides. In fact, university people are beginning to look to us for information about what we do and how we do it. I feel that overall we have been quite successful, but frankly if I had to deal with all the restrictions and procedures and inspections that are outlined in the Organic Foods Act, it would be very difficult for me to operate.

Senator Leahy has stated that it is his purpose to encourage organic sustainable farming but I believe that his bill might actually act as a deterrent to interested growers and thereby slow down the process of accumulating valuable information about organic farming and also reduce the amount of organically grown food available to consumers.

The organic food production industry in North Carolina is in its infancy. There is, however, a significant and growing number of producers here, most of whom chose organic methods out of a conviction that it is a safer and more environmentally responsible way to farm. We are finding a rapidly increasing demand for our products but most of the produce that we sell is marketed in our local areas where there is a direct relationship between farmers and buyers, whether direct off the farm or in farmers' markets or to local stores and restaurants. The marketing relationship is based on personal contact and the integrity of the producers.

Many North Carolina organic farmers are members of the Carolina Farm Stewardship Association, which like grower organizations around the country, already operates a certification program. We feel that any need for certification of organic growers in North Carolina at this time are being met by this program.

Finally, I would rather see the money and manpower that the Government might put into regulating such a program as this be instead put into research and education so that we can have a much higher priority placed on developing sustainable agricultural systems, on methods of growing that reduce or eliminate the need for toxic agricultural chemicals and on production of alternative crops that can be profitably grown on small farms.

Thank you for your time and interest in hearing our voices.

The CHAIRMAN. Thank you very much, sir.

Ms. Barnhardt.

STATEMENT OF NANCY M. BARNHARDT, LEGISLATIVE AGENT, CONSERVATION COUNCIL OF NORTH CAROLINA

Ms. BARNHARDT. Mr. Chairman, Representative Rose, committee members, I am Nancy Barnhardt and represent the Conservation Council of North Carolina. On a small scale, I farm in the mountains of Virginia and expect to farm full time within a few years. Because of this personal interest in farming and because of the work that I do with Conservation Council, I talk to farmers and to consumers. Most of the people that I talk with say that they want more information and more choices from Government farm programs.

Whether they use conventional farming methods with chemicals or farm with few or no chemicals, farmers say that they want independent family farming to be an economically feasible option. Consumers say that they want independent family farms to be a part of the way of life in the communities in which they live.

Farmers, regardless of the methods that they use in their farming, say that they are concerned about the risk of pesticides in ground water, a risk substantiated by EPA. Consumers say that they want to buy food that is pesticide free. Organic farming is an option that adapts to small and large farming, to full-time and part-time operations, to perennial crops, annual crops, and to animal farming. Organic agriculture provides products that people want and for which there is a large and growing market.

For several days last September, I worked for an organic market grower here in North Carolina. I did this because I enjoy that kind of work and because I wanted to learn from this successful full-time farmer. He grows vegetables, herbs, and flowers on 2 acres of terraced, raised beds. Except for occasional help with picking, he does the work himself. The only machinery that he uses is a tiller, a rotary tiller, and an old truck which—he drives over these long narrow growing beds with the truck and drops off manure and mulching material. He markets the produce himself, most of it to restaurants, at competitive prices. He does not charge more because the food is organically grown and certified, yet when I talked with him last fall, he had grossed over $20,000 and his fall season had not even begun yet. Most of this would be profit because without chemical and large machinery costs, his overhead is low. Why has the Government stressed conventional farming methods which here in North Carolina have left thousands of farmers in debt, yet not told farmers about this kind of low-cost farming?

Last week I attended a large conference held by the school of public health, the internationally recognized school of public health at the University of North Carolina here in Chapel Hill. Scientists from across the United States and Mexico reported on changes taking place in the environment and the effect of these changes. The speaker on global agriculture stated that one of the most significant ways that we can conserve energy would be to put nitrogen into the soil with legume crops rather than with chemical fertilizers. He added that when we consider whether we can grow enough food in the future, that one of the most important questions to ask is if the very seeds that might best adapt to future conditions might be the seeds that we lose from dwindling plant diversity. What has our Government done to protect this national heritage of old varieties? Why have Federal farm policies discouraged crop rotation instead of encouraged crop rotation?

We hear a lot about the genetic altering of seeds. Have we learned from our mistakes with pesticides or will we with biotechnology put on the market products which have dramatic short-term effect but about which we do not know the long-term consequences? Most pesticides in use have not been adequately tested and most testing that has been done is on acute effects and carcinogenic effects. Why have farmers not been told that there is a lack of data about the effects of pesticides on the immune system, on behavior, on the reproductive system and on the environment and that we do not know what the long-term results will be?

Farmers and consumers want information to make informed choices. Organic sustainable agriculture is a choice that provides answers for many concerns and needs which people express, including no-till farming on steep land. Thousands of farmers across the country who have broken with Government recommendations and have experimented with alternative agriculture have found what the National Academy of Sciences reported last September. I quote from page 9 of the NAS Report on Alternative Agriculture:

> Reduced use of chemical pesticides, fertilizers and antibiotics lowers production costs and lessens agriculture's potential for adverse environmental and health effects without necessarily decreasing and in some cases increasing per acre crop yields and the productivity of livestock management systems.

Thank you for holding this hearing in North Carolina and for this opportunity to speak.

[The prepared statement of Ms. Barnhardt appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Umstead.

STATEMENT OF ERICK G. UMSTEAD, RESEARCH DIRECTOR, AGRICULTURAL RESOURCES CENTER

Mr. UMSTEAD. Mr. Chairman and members of the committee, I would like to welcome you to North Carolina and hope that you get a chance to go outside and enjoy some of our typical North Carolina January weather.

I am Erick Umstead, the research director for the Agricultural Resources Center. ARC is a private, nonprofit, public-interest organization which conducts research and education on agricultural and natural resource issues. We are particularly interested in sustainable agriculture and pesticide use. We ask that you support changes in the 1990 farm bill that remove economic disincentives for sound environmental agricultural practices, provide research support for sustainable agriculture and encourage the reduction and/or elimination of dangerous pesticides.

We request that the House Ag Committee adopt the following recommendations by the National Research Council in their 1989 report "Alternative Agriculture."

I am not going to take the time to read these, I have listed 16 of them. I would like to mention that they include practices such as eliminating penalties for farmers who wish to practice crop rotation and that there be a minimum of $40 million a year allocated for sustainable agriculture and that we revise our cosmetic and grading standards to emphasize food safety and de-emphasize appearance.

As you know, concern over food safety and ground water contamination by farm chemicals, especially pesticides, has grown dramatically in recent years. Current farm policy makes it difficult, if not impossible, for farmers to effectively address environmental and health problems created by conventional and chemically dependent agriculture. We can ill afford to tolerate farm policies that financially penalize farmers who wish to develop more healthful and environmentally sound alternative agricultural practices.

In 1983, while supervising the environmental monitoring for pesticides for the North Carolina Department of Agriculture, I found that approximately 24 percent of the shallow wells sampled next to cotton fields in Scotland County were contaminated with Temik aldicarb. Aldicarb is the most toxic carbamate pesticide ever registered in this country. At most, these fields were on a 2-year rotation. Some of these fields were not rotated at all. Greater rotation to control pests instead of relying on chemical controls could have prevented this contamination.

The problem also has serious international implications. Since the early 1970's the EPA has rightfully canceled or severely restricted several pesticide registrations because they posed an unreasonable health risk, making their use illegal in this country. However, little or nothing has been done to protect the public from exposure to these pesticides from the importation of agricultural commodities produced outside of this country. The Federal Insecticide, Fungicide, Rodenticide Act (FIFRA) allows the manufacture for exportation of these banned pesticides. For the most part, these pesticides are very inexpensive to produce when compared to the more recently developed pesticides. Our short-sighted strategy to protect public health has unintentionally placed our farmers at an unnecessary economic disadvantage with foreign growers whose chemical arsenals contain cheap, but banned, pesticides, while consumer exposure continues.

The Food Security Act of 1990 farm bill may provide the opportunity to protect American farmers from this inequity and correct our failed policy to protect the public from the dietary exposure to banned pesticides. Section 408 of the Federal Food, Drug, and Cosmetic Act of 1954 demands that tolerances for pesticide residues on food be established at levels necessary to protect public health and provide an adequate supply of economical food. I would like to say that section 408 allows but does not really compel EPA to look at factors other than health risk.

As long as section 408 tolerances are maintained for these banned chemicals, the Food and Drug Administration is helpless in preventing the importation of agricultural commodities with banned pesticide residues. Revocation of section 408 tolerances would allow for the embargo of agricultural commodities with these residues. The ability of the Government to embargo agricultural commodities would discourage the use of banned pesticides by growers outside of this country that plan to sell here. This would ensure the original protection sought for public health while protecting American farmers from unfair competition. Additional benefits include greater worker and environmental protection worldwide.

The American farmer and the country as a whole will be better served with farm policies that do not penalize good stewardship. We ask that you give our concerns careful consideration and that you support changes in the 1990 farm bill that remove economic disincentives to alternative agriculture so that it may grow and develop in a fertile environment.

Thank you for the opportunity to comment on such an important issue.

[The prepared statement of Mr. Umstead appears at the conclusion of the hearing.]

The **CHAIRMAN**. Thank you very much, sir.

Questions of the panel. Mr. Rose.

Mr. **ROSE**. Mr. Umstead, you support our efforts to restrict the importation of any agricultural commodity that has on it residue of a chemical that was not registered in this country?

Mr. **UMSTEAD**. That is correct.

Mr. **ROSE**. Ms. Barnhardt, Mr. Dawson, you are talking about an area that is becoming very fast-growing in this country. Many of us on the Ag Committee do not know a whole lot about what you are telling us and I am not sure we always know how to react to it. I think we are all relieved to hear you say that Mr. Leahy's bill would probably do more damage than good because I think it would be our inclination not to legislate in that area.

So thank you all very much.

The **CHAIRMAN**. Let me just briefly say I appreciate your concerns and your input here, but I would like to present something. Nonpoint source pollution, that is not entirely from agriculture and I would like to make the record clear, hopefully, that all of the pollution that you mention, you do not specify that it is solely agriculture, is that correct? Because a major source of ground water pollution is parking lots and buildings and shopping centers and manufacturing, but all you hear is the farmers are polluting our water. I would like to specify that mankind, we, the human race, are the ones who are polluting. Nature does its own by itself.

Many years ago I was at the top of Cameroon in central Africa, the top of Cameroon as it meets with Chad, there is a river, no chemical used within 1,000 miles but you could not swim in the river and you could not drink the water from the river, it was natural pollution. No farmers, no cotton, no aldicarb, but you could not drink the water and you could not swim in the river.

So we have to put it in perspective and address each issue. You cannot just say the Federal Government has done this, very respectfully, because the law now does not tell the peanut grower what to use. He has an allotment and he produces and the law does not tell him use or do not use. He can go as Mr. Dawson went on his peanut patch. So there is no prohibition at all and that has to be clarified.

And then finally I would like to say that we have been involved. We have not been given the credit and perhaps not enough money has been put into it, but since the 1977 act Congressman Weaver of

Oregon began the process of bringing to the forefront low-input agriculture, and it was incorporated into the 1977 act.

Ms. Crudup, the 1985 act probably has been the most far-reaching environmental bill including those that are called environmental bills; clean air and clean water and everything else included. We had swampbuster, sodbuster, the CRP. There still has to be some refining done, some fine-tuning, but this committee and the Congress through us have not been negligent. You may want us to go much further and we will see how much we can go, but the fact is that we have been there, we have been working. We react to what people out there tell us the problem is. The people have not reacted to the problem, they are now coming to the forefront and we—that is why we have a hearing. We now are listening to them, we are listening to the recommendations and we are working. But the finger should not be pointed at the farmer because chemicals are used in a multiplicity of products outside of agriculture and heaven knows what drains off from a parking lot; oil, gas, dog, cat, possibly now and then human—you do not know. And every time that a community builds a new shopping center, that is progress. But then if they find something in the ground water, they say that is the farmer that messed up my ground water.

Well Mr. Dawson, you can more clearly tell than anyone else because of what you are doing. What does a farmer need for your endeavor; good soil, good water, clean air, and a lot of effort on your part. That is all you need. Are you going to go mess up your soil if that is what you need to get a good crop? Are you intentionally going out to mess up the water if that is what you need for a good crop? Are you intentionally going to go mess up the air if that is what you need for a good crop?

So the foremost environmentalist if nothing else has to be the farmer. He has been there and you have gone one point beyond and we commend you for that. How many acres do you work?

Mr. Dawson. I currently have 2 acres in vegetable production and it is very intensively managed. We grow about as much on 2 acres as others do on 10 and we are able to get better yield off of that.

The Chairman. That is what we are talking about. We have to go into so it is standardized and so on. A grocery store in my area puts a little yellow ribbon on an organic counter. I asked them, I said what criteria do you use, what is your formula? He said the farmer tells me it is organic, I put the yellow ribbon around it. [Laughter.]

That is for your protection and that is one of the areas that we need to do, that there be a discernible formula or test of some kind so if it has a yellow ribbon it means it came from an area so that the public can be protected.

But I commend you for your interest. I just wanted to add to what you have said, that we agree with you but I wanted to clarify there is no prohibition. As a matter of fact there is a corn grower in west Texas that farms about 2,000 acres. He does have a little caveat, if he has a bad infestation of a bug of some kind he will use chemicals. But otherwise he does not and he sells his cornmeal as that and he has about 2,000 acres and he is doing fairly well.

Thank you very much for your contribution.

Mr. UMSTEAD. We are not here to pick on agriculture, I would like the committee to understand that. EPA has identified agriculture as the largest nonpoint source of pollution and we recognize that there are other sources of nonpoint pollution, but this is a House Agriculture meeting and that is the reason we bring these problems to your attention.

The CHAIRMAN. Yes, we understand that. I heard you and I saw your testimony. I just wanted to clarify that there are other sources. I do not know, I might challenge the EPA, depending on what area where you are, where the river is, where the creek is, where the shopping center is, where the manufacturing plant is. But no, I understand. I am not being critical, I just wanted to balance that we have been addressing your concerns before it got as public as it has. We appreciate that.

Ms. Barnhardt.

Ms. BARNHARDT. Mr. Chairman, I think one of the problems is that often when farmers ask their extension agent about this type of information, they do not get good information from them. I have had this happen myself from the county where my farm is. I asked for information about research and was not able to get it from the extension agent, I had to go beyond him. This is a problem because many farmers do depend on the Extension Service for information.

Also, when I said that farmers were concerned about ground water, I did not say they were the only ones concerned.

The CHAIRMAN. We appreciate that. The fact is that there is not that much information, we are just beginning the process and that is why many times they come to you. We are getting the universities now and the agricultural research, we are just beginning to get them to do some more research.

Ms. BARNHARDT. May I comment. Research at Virginia Tech and at North Carolina State, the researchers that I have talked to, told me that they felt a great deal of frustration because research that they had done was not getting out to the Extension. They were frustrated that they had very limited money for research on sustainable agriculture. They were frustrated that in order to get tenure they had to do research that was more short-term rather than the long-term research that would have been toward sustainable projects. So there is more going on in the universities, more data there, than they have been able to get out too.

So I think all the way around it is a communication problem in large part.

The CHAIRMAN. Well we will have to address that, we certainly will.

Mr. Nagle.

Mr. NAGLE. Well Mr. Chairman, I thought you might—you mentioned it earlier and I just talked to my office and I thought maybe those who are participating here today might be interested, most of what we have heard at least through the first eight panels was we ought to continue the 1985 Farm Act. The President, I think, just handed us an answer to those suggestions, the President's budget has just been released and the President calls for a $1.5 billion reduction in the agricultural funding and he recommends that billion and one-half be obtained by continuing or accelerating the decline in the schedule of target prices and loan rates. In addition, the

President proposes to eliminate crop insurance which is another $600 million outlay or spending for the Federal Government, so basically he is calling for a $2 billion cut in the agricultural program, going from $11.7 billion to $10.2 billion plus the $400-$600 million. The President proposes to eliminate the EDA, the Economic Development Agency, proposes to cut back on student loans for middle-income Americans, but he does propose increases or substantial funding in defense, moving from $289 million in outlays to $303 million in outlays.

I assume the State all voted Democratic last time? [Laughter.]

The CHAIRMAN. As all of you know, the President's budget is out today, some was leaked over the weekend, but I think they are being unduly harsh on agriculture. They want $1 billion for Panama and $1 billion for Jamaica and $1 million a day for El Salvador. Granted those people have problems, but we have a lot more problems here that we need to look at first.

But the President is coming before the Congress on Wednesday, I think, and we will be there to listen to him. He is our President, he is the only President we have. We love him, we have to be respectful to him, we have to be supportive when he is right but in this area we do not think he is right.

Mr. VOLKMER. Mr. Chairman, I would just like to add one additional comment to that. I looked at my crystal ball after I heard Mr. Nagle, and I predict the President's budget, when it goes on the floor of the House, will get less than 75 votes out of 435.

The CHAIRMAN. Thank you very much for your contribution, we appreciate it and we look forward to working with you. I think one of you said you may have some further recommendations. Either give it to staff or get an address and we will be happy to receive that from you and work it on the subcommittee. Thank you very much.

The next panel is Mr. Alton Roberson, Mr. Ward Shaw, Mr. Tom Gillam. Mr. Gillam will be accompanied by Mr. Mellette and Mr. Tilghman.

Mr. Roberson.

STATEMENT OF ALTON H. ROBERSON, FARMER, PAST PRESIDENT, NORTH CAROLINA SMALL GRAIN GROWERS ASSOCIATION

Mr. ROBERSON. Mr. Chairman, I would just like to inform you that I am now the proud owner of a Texas flyswatter. We use it for mosquitoes back here. Mr. Chairman, members of the House Agriculture Committee, I am Alton Roberson, immediate past president of the North Carolina Small Grain Growers Association and past board member of the National Association of Wheat Growers. I am a farmer from Kinston, North Carolina and I produce wheat, corn, Flue-cured tobacco, hogs, and soybeans on our family farm. On behalf of the small grain growers of North Carolina, I want to thank you for holding this hearing in Congressman Rose's district.

Clearly, the 1985 farm bill was not perfect. But as a whole, most producers generally are satisfied with the end results. The 1985 act deserves praise for addressing the very difficult problems that depressed the agriculture economy during the 1980's: Low farm income, high farm debt, loss of export markets, and burdensome stocks of grains. The 1985 bill moved us in a more market-oriented direction and its front-loaded costs were expected.

As a direct benefit of the bill, the 1.9 billion bushes of surplus wheat in 1986 has been reduced to 468 million bushels as of January of this year. Cheaper dollars, lower commodity loan rates, the Export Enhancement Program, targeted export assistance and consecutive droughts were all contributing factors to this surplus reduction. This committee did not control the weather, but you deserve much praise for your help in putting together the disaster aid package this year.

There are several broad policy concerns that small grain producers across our State would like to see addressed today. First and foremost is the maintenance of an income safety net, which includes target prices, deficiency payments, and nonrecourse loans that have protected the farmer from adverse price movements in the past. The continued use of set-asides and farmer-owned reserves will provide the necessary fine-tuning to balance grain supplies for the international markets, food reserve goals, and domestic consumption.

Of utmost importance is not hindering the present upswing in the agricultural economy. We support more flexibility so that we can better adapt our individual cropping plans to our economic and rotational needs.

We support continuation of the target price concept and not a declining continuing step. The target prices of commodities need to be well-balanced, reflecting relative values, and cost-of-protection.

In the event of unpaid acreage reduction programs, the target price should be adjusted upward to directly compensate for the income loss which would occur due to a reduction in harvested acres. This linkage of target prices to permitted acres would assure a stable level of income protection, while eliminating the use of annual acreage reduction programs as a double-cutting method of reducing the Federal budget.

The Export Enhancement Program has helped the United States return to a major competitor in exports. The ability to offset unfair world trade practices has enhanced our arguing position in trade negotiations. Since EEP's implementation, the U.S. share of world wheat and flour markets has increased 45 percent.

My final point is how to include agricultural interests in the writing of the 1990 farm bill. It seems to have been out-gunned in instances but we are here and we are taking our stand. This committee is meeting face-to-face with the best conservationists and environmentalists in the world. How can I justify this statement? Because I am a young farmer from a family farm. Farmers take tremendous pride in preserving their land and water as renewable resources. The greatest satisfaction a farmer can personally experience is having a son or daughter return to the family farm. Therefore, it is our continuous goal to preserve these God-given resources for posterity.

The general public must realize that farmers also eat and clothe themselves with the same products that they do.

In North Carolina, we are proud of our land-grant universities and other research interests that will develop exciting new technologies to ensure a better environment. The agricultural community is eager to be out in front working with the committee in development of a preventive approach to potential problems. Therefore, we suggest not placing more strings upon the program participation concerning environmental issues, but to renew commitments to research and education that will insure that those of us within agriculture can improve our environment without drastically reducing farm productivity.

Mr. Chairman, members of the committee, thank you for this opportunity.

[The prepared statement of Mr. Roberson appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Shaw, we will be happy to hear from you at this time.

STATEMENT OF A. WARD SHAW, SECRETARY, NORTH CAROLINA SOYBEAN PRODUCERS ASSOCIATION

Mr. SHAW. Mr. Chairman, distinguished members of the Agriculture Committee, I am Ward Shaw, a farmer and agribusinessman from Columbus County in North Carolina's Seventh District. My farming enterprises consist of tobacco, corn, and soybeans and I am a retail farm supply merchant and in a tobacco warehouse partnership in Chadbourn, North Carolina. In addition to my affiliation in local community affairs and civic endeavors, I am currently serving as secretary of the North Carolina Soybean Producers Association and also serve as one of my State's voting delegates to the American Soybean Association. I am here today to give you some input as Congress proceeds in enacting a new farm bill in 1990.

I feel that my statement is very simple, direct, and should reflect the viewpoint of most soybean farmers throughout the Nation. I will summarize the 12 topics which in my opinion are the concern of most soybean farmers and which have been given to the clerk in expanded form for the record.

First, the need for dependable export markets. This is essential for economic survival of U.S. agriculture. We must ensure against embargoes and other trade impediments.

Second, the need for consistent, long-range agricultural policies. Farmers must make heavy long-range plans and financial commitments; and therefore, they must be able to know that agricultural policy will be consistent, dependable, and essentially immune from partisan political considerations. This policy should include granting most-favored-nation trade status to the Soviet Union.

Third, responsible grain and soybean reserves. These must be under farmer control but with a fixed limit on total storage and length of storage under a responsible Government loan rate.

Fourth, responsible loan rate without set-aside programs for soybeans that provides no price floor for our overseas competitors.

Fifth, termination of U.S. taxpayer support of foreign competition combined with resolution of Latin American debt.

Sixth, continue pursuit of fair trade policies and practices by the European Community and others.

Seventh, the need to restore investment tax credit to farmers.

Eighth, the need for planting flexibility on program crop acreage. This flexibility should allow up to 25 percent substitution with soybeans or other nonprogram crops without loss of base acreage. And restriction on use of set-aside acreage should terminate when the designated crop is harvested.

Ninth, the need for reasonable environmental constraints that provide incentives to farmers to incorporate environmentally acceptable practices; and we further recommend that authority for all food safety legislation and enforcement should reside within the U.S. Department of Agriculture.

Tenth, is the need for better, more definitive labeling of vegetable fats and oils, known as truth in labeling. This will benefit soybean farmers and promote better health potential for all Americans.

Eleventh, the need for Federal assistance for market development, combined with effective agronomic and utilization research. This is an alternative to such stability programs as PIK, et cetera. Farmers are tooled up to produce for world markets and not for idling their production capacity.

We support the $500 million special research initiative for agriculture as proposed by the National Association of State University and Land-Grant Colleges.

And twelfth, the need for stabilized fiscal and monetary policies. We need to eliminate the unbelievable deficits of Government and get our currency back to a stable value.

The American Soybean Association has held numerous sessions with farmers across this Nation during the past 18 months to reach a consensus on a practical, workable plan for the soybean title in the 1990 farm bill. This plan is known as guaranteed equity loan. It incorporates most of the concepts which I have just noted in points two, three, four and eight of my statement here today. We strongly urge you to give this proposal your support for soybeans as you develop this next farm bill.

One subject which I have not yet mentioned is the American Soybean Association sponsors soybean promotion and research checkoff, commonly referred to as SPARC. While our State association will support this legislation if enacted, we are concerned about a stipulation in the current House version requiring a reconfirmation vote in North Carolina and seven other States even when the national program is in place and ongoing. As now worded, SPARC will require these eight States to undergo periodic recertification in order to retain the rights to administer the State's one-half share of its checkoff funds. We feel that this requirement will be confusing to farmers and an unreasonable burden that should be corrected before the Congress finalizes action on this bill.

Our State Soybean Association president and executive director has met with Congressman Glickman's staff about this concern, but we hope you will also be aware of this concern and help us through this problem.

In conclusion, Mr. Chairman, we wish to express our appreciation for this opportunity to appear at this hearing today. We encourage you to be diligent in your effort to write agricultural legislation that will provide for economic justice for our Nation's farmers. We must keep this most important segment of our economy healthy and avoid making agriculture the Nation's economic shock absorber due to other segments of commerce, labor, industry, and Government. A viable U.S. agriculture is essential for the good health of this country and the entire world.

Thank you.

[The prepared statement of Mr. Shaw appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much.

Mr. Williams, we are happy to hear from you.

STATEMENT OF JACK WILLIAMS, FARMER, LAKEVIEW FARMS, FAISON, NC

Mr. WILLIAMS. Thank you, sir.

Mr. Chairman, I will not welcome you again because you have been welcomed right much today and I am sure you are tired of hearing it as well. But I want to mention my point of view as a farmer as far as being a North Carolina farmer here.

I farm about 775 acres, primarily a grain farmer, and I am sure some of you fellows from the Midwest are not aware there were any outside of the Midwest, but there are a few of us that try to make it on grain in North Carolina.

I have been farming for about 20 years. I farm good type soils, we have some good land, good property. I am a college graduate, I have three kids in college, one in high school and my middle son today is wanting to come back to farm and I am honest with you, I do not want him to come back and I hate to have to put him in that position. Because I do not see enough return on the investment for him to come back and earn a living, what I feel like is a comfortable living with a college degree. I feel like any time you go that 4 or 5 years and get that degree, certainly you are entitled to some sort of reasonable safety net, and I have not seen it myself as a farmer and I have farmed about 20 years.

There are some areas, I look at the cash market today for corn and of course I am going to stick on this corn because I have been past president of the North Carolina Corn Growers, also county president of the Farm Bureau, involved in that. As far as the corn prices today we are looking at basically the same prices we were in 1950, 1952, 1953. What else is the same price really? Not when you look at my input cost. Today a combine will cost me approximately $125,000. Now you divide that in bushels of corn, you are looking at 50,000 bushels of corn. That is a lot of corn for a combine. Now I am paying—when I buy that combine, I am paying union wages, I am paying North Carolina sales tax, whatever taxes are obligated on it. I am paying costs that basically are American costs, profit included.

Now I am expecting to compete on a world basis with that farmer that is in South Korea that has 3 acres of land and 10-head of cattle and he can make a comfortable living, because I have talked to one in that area that was from South Korea. Now I cannot compete with him today, I cannot tomorrow, I cannot 50 years from now because we are on different playing fields. I do not ever—and if we come back to the political side, you are elected by the folks in your area, Martin Lancaster is elected by the folks in our area, and gentlemen you are concerned about the people here, which we are glad. That Korean delegate, he is concerned about the people in his area, which he should be. So to look at the ECC common market, I had—the proposed soybean target for 1990-91 is $18.24 a bushel. Now the wheat target for 1990-91 is $7.87, I believe ours is $4. The corn target is $6.69 a bushel, ours is around $1.95.

Now if I go back and look at the last 5 years of the 1985 Farm Program—now you gentlemen might be surprised—but in my opinion, the Farm Program has not helped me. It has helped keep me on the farm producing cheap food. The reason I say this is, in the fall of 1984 I could have put corn under loan for $2.81 a bushel in our county. I kept that in 5-year reserve. Just as soon as the 1985 farm bill came out, corn did not stay around $3 a bushel, it dropped to around $2 a bushel, I cannot recall exactly. So that loan rate establishes a floor for my cash selling price in my area. I do not know what it does in Iowa or Georgia or whatever. So I cannot survive with a $1.95 loan rate on this grain.

I have—the name of the game is for me to make a profit, I mean to stay in business. I feel like—as an American farmer, I put my management practices against any farmer in this room, any money they earn. I feel like I am a good manager. I have total acreage about 1,000 acres with one man that helps me. I certainly do not sit in the truck, I do my part of the chores, the work.

So, what am I expected to do. CP&L—and I am just picking them as a company, they are supposed to make a profit, they can mark theirs up 10, 12 percent, whatever. John Deere tractor folks, they are supposed to make a profit. But every time—any opportunity—they come back to the farmer and say you become more efficient. I want some of the other folks that I am buying combines from to become more efficient. I want the man who is selling me the tractor or my fertilizer, I want that unionized laborer to become more efficient. I have become efficient until I have just about starved myself and I think you gentlemen agree with me.

Now as far as what I see in the Farm Program, looking at it strictly from Jack Williams' point of view, is the fact that No. 1, we have to have some sort of controls. I would rather have a free market, but we all know there is no such creature as a free market. Otherwise, soybean target would not be $18.24 in ECC this coming year. So the free-market theory to me is really just a pie-in-the-sky theory, there is just no way that it can occur. It would be nice maybe if it would, it might, I do not know. But I do not think it is possible.

So for the 1990 farm bill, as I see it, we need a higher loan rate and all that is going to do in my area is establish that corn price, I am speaking from a different commodity, it is going to establish that corn price in Duplin County and I will not be able to sell that corn, I will keep it in the bin for that price. Now that is going to bring the market up some way where I can maybe survive. Now if it is $1.95, it is going to stay somewhere around there and I cannot survive at that.

Now I am getting part of the payment back—if I sign up for a Farm Program, I cannot afford not to because I am guaranteed say $1.95 a hundred loan and I am getting part of that dollar that I have lost with a reduction of the loan value from $2.81 to $1.95, I am getting part of that dollar back over a 2-year period of time, 70–80 cents at the outside. Now that man that buys that corn, that day he is making $1 on my bushel of corn, he can buy it $1 cheaper. And the integrators and some of the other folks have made extremely high profits and I am going down the drain.

I know as far as being a farmer in our area—I just want to voice my opinion and I will argue with any of you as far as whether I am right or not. I just appreciate the opportunity.

[The prepared statement of Mr. Williams appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Any questions?

Mr. VOLKMER. Could I ask real fast?

The CHAIRMAN. Yes, sir.

Mr. VOLKMER. What if you did not have a target price and all you had was a loan rate of $1.95 on corn?

Mr. WILLIAMS. As far as I am concerned it would be all right—oh, that would be rougher.

Mr. VOLKMER. The $1.70 loan rate.

Mr. WILLIAMS. I would get out just as quick as I can.

Mr. VOLKMER. What would that do to your wheat, if your loan rate on wheat went down to $2, $2.25 and you had no target price?

Mr. ROBERSON. If that sets the price I am just going to have to increase my yield up to around close to 100 bushels an acre, Kansas and other States cannot do that, and I might luck up and do it once in 5 years.

Mr. WILLIAMS. But if you have a drought, you are gone.

Mr. VOLKMER. That is the proposal. Did you hear what was said about the budget?

Mr. ROBERSON. Yes.

Mr. VOLKMER. You heard me earlier say 10 percent a year reduction in target price; figure it out, in 4 years you do not have any left.

Mr. WILLIAMS. I am serious, if something does not happen in 4 years, I am not going to be farming, not if I can get out.

The CHAIRMAN. Mr. Shaw, you say you are from Columbus County. What town?

Mr. SHAW. Sir?

The CHAIRMAN. Do you live out in the countryside?

Mr. SHAW. Yes, sir, I live on a farm.

The CHAIRMAN. You have a business though?

Mr. SHAW. I have a farm-supply business and a tobacco warehouse.

The CHAIRMAN. Where is your farm-supply business?

Mr. SHAW. Chadbourn.

The CHAIRMAN. What size community?

Mr. SHAW. About 60 miles from here, about 2,000 population.

The CHAIRMAN. About 2,000 population. The reason I asked you was I made a speech someplace and I said that many of the eastern media and the people that say you are using too much money to support agriculture, I made the statement that the farmer does not get to keep the money, that it just goes—he is a conduit—it goes to Main Street, Chadbourn. There was an article last week in——

Mr. SHAW. It did not make it down to where you were talking about.

The CHAIRMAN. In the Washington Post by an outside writer, but he said well if that is the case, you ought to subsidize reporters so they can keep the computer companies. Well most of the computer companies are not in the United States anyway.

But if you did not have a Farm Program, what would happen to Main Street, Chadbourn?

Mr. SHAW. As Congressman Rose knows, Columbus County is mainly agriculture. If it was not for the Farm Program, I think in the short run it would be disastrous. In the long run, I cannot see that far, but for the short run, I certainly would not want to sell fertilizer on credit. I certainly would not want to extend myself to someone who did not have some guarantee of farm income.

The CHAIRMAN. And farm supply, do you sell equipment?

Mr. SHAW. No, sir, just farm supplies, fertilizer, chemicals.

The CHAIRMAN. Fertilizer, chemicals, not feed and seed. Well, we will take the John Deere dealer there, if you have one in Chadbourn, if he is not in business, then the John Deere Co. does not manufacture what he sells. Once I was asked—I wanted to get it from you, but I will make just a comment. When we were working on the 1985 act, a friend of mine, a colleague, says I want to support you but how am I going to explain to my people in Detroit that I am paying some farmer not to grow something. I said I want you to help me and that is not so, but I cannot educate you as to all of the ramifications of the farm legislation. You just tell your people in Detroit no farmer, no pickup. He says I get what you mean.

I get frustrated if someone now writes an article—but that is it. We are feeding everyone here, we are basically helping to clothe everyone here. That little tiny line you cannot even see is what we get from the Government and we keep Detroit, we keep Illinois, John Deere, we keep the chemical supply, we keep everybody in business in the urban areas and we have something to sell abroad. We feed all our people, we give a heck of a lot to people around the country and then you have Mr. Williams telling us I cannot stay in business if it goes any worse than it is now. We cannot make those people understand that out there.

Mr. WILLIAMS. Could I comment in one respect? I go back to the Carter embargo, the year prior to the Carter embargo, what I produced on my farm, I took the bushels, multiplied it by the market price. The year after the Carter embargo, what I sold on my farm sold for $75,000 less than it did the year prior to the Carter embargo. Now I was not making a 2-percent return in 1984 and that was one of the better years, but I was still not getting the return like other businesses. If I am a good manager, I should get a fair return.

So, that is what I tell folks that want to know about the—I am subsidizing the housewife with my equity today, as far as I am concerned. I feel like I can convince the average housewife that I am.

The CHAIRMAN. Thank you very much. Leaving President Carter out of it, embargoes are dumb, period.

Mr. WILLIAMS. Yes, sir, I agree with you.

The CHAIRMAN. Thank you very much.

I am going to combine the next panel and ask all of you to come up to finish the session. Mr. Nichols, Mr. Moss, Mr. Schill, Mr. Bunch, and Mr. McCaskill. If all of you will kindly come to the witness table.

We will begin with Mr. Nichols. I will remind you if you have a written text, it will appear in the record and if you can, summarize—but whichever way you feel more comfortable.

STATEMENT OF ROBERT B. NICHOLS, JR., MEMBER , CORPORATE BOARD, DAIRYMEN, INC.

Mr. NICHOLS. Mr. Chairman, I am Robert Nichols, Jr., a dairy farmer from Hillsborough, North Carolina and I am a U.S. Navy veteran from World War II. While active in North Carolina agricultural and dairy organizations for most of my 40 years in dairying, I presently serve as vice-chairman of the Hillsborough Savings and Loan Association and a member of the corporate board of Dairymen, Inc. In the interest of time, I will summarize my written testimony.

Mr. Chairman, the Dairy Price Support Program and Federal Order Program have worked well. Only twice in the last four decades has milk production exceeded commercial use to the extent that burdensome surpluses of dairy products have been held by the Commodity Credit Corporation for a significant period. The first was in the early 1960's and the other in the 1980's. In each case, the price support level for milk and dairy products was set too high, production was overly stimulated and a period of readjustment followed.

In 1985, the Congress, at the urging of the administration, taxpayer, and consumers and in an atmosphere of budget austerity, implemented the 1985 farm bill which had as its objective increased market orientation through a gradual realignment of supply and demand based on price support adjustments.

In reflecting on the changes that have taken place in our industry since 1985, the general consensus, I believe, is the 1985 farm bill has worked better than expected to realign supply and demand.

While the measures adopted in 1985 have not been without pain, they have been effective. Government inventories of cheese and powdered milk have disappeared, and the support price for butter is being adjusted to reflect more closely its commercial value in the world market.

Noteworthy as well, is the change that has taken place in the role of the support price. With the support price now $3 per hundredweight lower than in 1985, it serves as a safety net and not the primary price factor in the marketplace.

In writing the 1990 farm bill, Mr. Chairman, we, Dairymen, Inc., do not see the need at this time to overhaul or drastically change the 1985 Dairy Price Support Program or the Federal Order Program. There are refinements there that we feel will help assure that the objective of federal dairy policy continue to be met in an increasingly market-oriented marketing environment.

We believe price support adjustments limited to 50 cents or 5 percent per year, whichever is less, should be made gradually. Annual adjustments should be made downward if CCC purchases exceed 5 billion pounds milk equivalent per year or upward if CCC purchases are less than 2.5 billion pounds milk equivalent per year as provided in the current law.

To more accurately reflect the market for milk and dairy products, CCC purchases, when converted to a milk equivalent basis, should be converted using total solids or a whole milk basis rather than a milk fat basis.

As previously indicated, the maintenance of a meaningful support level is essential if the Price Support Program is to maintain the production capacity of the dairy industry at a level that will assure consumers ample supplies at reasonable prices. The support price, therefore, should be maintained within an established range of the U.S. average price for manufacturing grade milk.

If a realistic price support level is maintained, we believe the United States will maintain an acceptable balance between supply and demand. Therefore, domestic supply controls programs will not be needed under normal circumstances.

As increased market orientation occurs domestically, section 22 of the import quotas which protect domestic agriculture from subsidized exports, dumping, and unfair trade practices will continue to be needed.

Turning now to the Federal milk marketing orders, let me first indicate a strong and flexible Federal Milk Marketing Order Program continues to be essential to the maintenance of orderly marketing of fluid milk. Timely administrative decisions can go a long way to assure that milk supplies needed for fluid use are available from local or distant markets on a regular basis and in sufficient quantities to meet consumer demand in markets across the country.

The slowness with which the U.S. Department of Agriculture is moving in response to the April 1989 request of producers and handlers in North Carolina and South Carolina to implement a regional milk marketing order and the Department's failure to adjust class I differentials from 1960 to 1985, are examples of administrative delays which have failed to address problems within the industry in a timely manner.

Class I differential adjustments contained in the 1985 farm bill recognized that significant increases in transportation costs had occurred during the period 1960–85 and that they had not been reflected in class I differentials. While the adjustments mandated in 1985 left the transportation component of class I differentials representing about two-thirds of the actual transportation costs for southeastern markets, the adjustments help assure that our markets are supplied as efficiently as possible, whether from local or distant sources. Class I differentials established in the 1985 farm bill should be retained. They are subject to review and adjustment by the Secretary of Agriculture.

These changes, we feel, would permit the Dairy Price Support and Federal Order programs to operate more effectively and reduce the need for programs such as two-tier pricing and producer assessments. Assessments distort the nature of the industry adjustment problems without correcting them.

To meet the Southeast area's demand for fluid milk, milk in bulk, and packaged form is brought into the region on a regular basis. The quantity of milk required from other areas in a normal year ranges from a low of about 2.5 percent in the spring to 10 percent or more during the fall months. In July, August, September, and October 1989, an estimated 235 million pounds of fluid milk was shipped to Southeast markets. The cost of supplemental milk has been estimated to be $4 per hundredweight above the prevailing price in the southeast.

The premium paid also indicates milk prices in the region were inadequate to generate local supplies or attract more distant supplies. Proposals, therefore, which would roll back class I differentials should be rejected.

To meet our area's expanded fluid milk needs, prices will have to be at a level that will attract an adequate supply. The necessary supply may be obtained locally or from more distant markets or from both.

Our dairy farmers want to be free to compete in the southeastern fluid milk market at price levels which reflect, to the extent possible, the cost of purchasing and transporting fluid milk from those areas that balance the region's fluid milk needs.

Mr. Chairman, I would like to call the committee's attention to Johne's disease, an animal health issue. This debilitating disease has the potential of inflicting heavy financial losses on dairy farmers and the dairy industry and eventually consumers.

Johne's disease is emerging as the No 1 health concern of dairy farmers. It is spread to calves by bacteria in the manure from infected cows. It is not manifested in the animal until it reaches an older age. At the present time there is not a reliable diagnostic test. Funding is needed at the Federal level for research that will provide a reliable diagnostic test for herd testing and eradication, for vaccines and for tracking the occurrence of the disease across the country and for promoting management practices that will break the disease cycle.

I would just like to say at this time, to kill two birds with one stone, if there is any way at all possible, the money in case you need a whole-herd buyout, should be directed in the animal health region and we should not kill healthy dairy cows. They should be tested positive for either tuberculosis, brucellosis, or Johne's, particularly Johne's.

In summary, Mr. Chairman, I commend the members of the committee and the Congress who wrote the 1985 farm bill. It has worked. We hope the Congress and administration will not see a need to make major changes in the dairy programs in the 1990 farm bill, but will make refinements such as those I have outlined.

Congressman Rose, I want to thank you and the members of the committee for providing this opportunity for me to share our views on the 1990 farm bill.

[The prepared statement of Mr. Nichols appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Moss, North Carolina Cattlemen's Association.

STATEMENT OF D.S. MOSS, VICE PRESIDENT, NORTH CAROLINA CATTLEMEN'S ASSOCIATION

Mr. Moss. Mr. Chairman and members of the hearing committee, my name is D.S. Moss. I am vice president of the North Carolina Cattlemen's Association. I am also a full-time farmer from Halifax County operating a purebred Angus herd and row crop farming of peanuts, tobacco, corn, and small grains.

The North Carolina Cattlemen's Association was organized in 1956 and during its existence has become one of the leading agricultural organizations in North Carolina.

The association is affiliated with the National Cattlemen's Association. The association has worked very closely with the National Livestock and Meat Board, State breed associations, North Carolina State University, North Carolina Department of Agriculture and other agricultural groups in and outside of North Carolina.

I appreciate very much the opportunity to speak at this hearing and to represent the North Carolina Cattlemen's Association. Our views concerning the 1990 farm bill are consistent with those of the National Cattlemen's Association.

During the development of the 1985 farm bill our position was that all of agriculture should be treated with fairness and no commodity should suffer from special provisions made for another segment of agriculture. Our position remains the same in the development of the 1990 farm bill.

The Beef Promotion and Research Program was authorized in the 1985 farm bill and permits the collection of $1 per head on all cattle sold. The checkoff program was approved in an overwhelming majority of the cattlemen in a national referendum and in North Carolina it was approved by 95 percent.

On the national scale, cattle is a $35 billion industry and is the largest segment of American agriculture according to cash receipts. The economic well-being of the cattle industry is important to North Carolina agriculture and to the Nation as a whole.

In our eyes, the 1985 Farm Security Act has been a success. Through the National Cattlemen's Association we plan to be actively involved in the development of the 1990 farm bill.

The new grain policy idea of triple base is being aired as a way to provide program grain producers with flexibility in their planting decisions. We question the fairness of allowing nonprogram crops to be planted on protected program crop base acres.

Dairy policy will continue to concern us. At this point, there has been little talk of a new dairy whole-herd buyout and this is encouraging.

The conservation title of the 1990 farm bill may prove to be very controversial in the sense that forces outside of the agricultural mainstream may have input into this bill, such as environmental groups, to other committees in Congress.

Cattlemen believe it is imperative to closely guard the private property rights as Congress writes environmental laws. Farmers will depend on both of the Agriculture Committees to defend and protect private property rights.

The Conservation Reserve Program will continue to be reviewed and questions of what to do with the land after 10-year contracts are bound to be asked. Our answer is let the land return to commercial use.

The National Cattlemen's Association's research priorities that are ongoing at this time will be given to these committees.

I realize the complexity of your task and the pressures of developing this legislation. The association requests that all segments of agriculture be treated with fairness. We do not seek preferential treatment; however, we do not wish to suffer loss by special treatment of others.

Mr. Chairman, thank you for the opportunity of being here today.

[The prepared statement of Mr. Moss appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Schill.

STATEMENT OF JERRY F. SCHILL, EXECUTIVE DIRECTOR, NORTH CAROLINA FISHERIES ASSOCIATION, INC.

Mr. SCHILL. Thank you, Mr. Chairman.

My name is Jerry Schill, I am executive director of the North Carolina Fisheries Association, which is a private trade group representing the commercial fishermen, the seafood dealers, and the processors in our State.

First of all, Mr. Chairman, I would like to say that the 3 years I have been in this position, I have been to many hearings and testified many times before Federal and State bodies but I have never seen a more attentive and a more patient committee, and we really appreciate that, for your patience.

I would also like to say that learning from our Gulf shrimp buddies, that we have surrounded the Fayetteville Airport in protest with our shrimp boats.

In addition, Mr. Chairman, I also serve as a trustee on the Gulf and South Atlantic Fisheries Development Foundation which serves the States from Virginia to Texas.

In addition, I serve as a member of the South Atlantic Fishery Management Council, which is a regulatory body charged with fisheries management in Federal waters.

The commercial fishing industry has a perception problem. Tell a member of the public that you are a farmer and that person sees you as a food producer. Tell that same person that you are a fisherman, however, a visions of a relaxing day with rod and reel come to mind. Mr. Chairman, the commercial fisherman is also a food producer.

The commercial fishing industry does not have product subsidies or set-asides, nor am I here to ask for any in the 1990 farm bill.

The commercial fishing industry is America's first industry, but it is changing. It is changing for two reasons; one is need, the other is perception.

Most evident of the changes due to perception is the mandatory use of turtle excluder devices by our shrimpers. Another is the many seafood inspection bills currently before the House and the Senate. We urge you to support H.R. 3508, the Federal Inspection for Seafood Healthfulness Act of 1989 which is cosponsored by Mr. de la Garza and Mr. Jones of North Carolina.

The North Carolina commercial fishing industry realizes that it must deal effectively with public perception if our industry is to survive. Likewise, we urge our brother food producers, farmers, to work on environmental concerns in the 1990 farm bill, specifically the possibility of reducing its reliance on chemical fertilizers and pesticides and to expand wetland protection efforts.

In another area, there is no reason why fish and fish products should be excluded from the Department of Agriculture's export and Food Aid Programs. Mr. Jones of North Carolina is currently encouraging Ag to include mackerel in their Food Aid Program to Poland.

The most important issue I wish to bring to this committee is the help we need with the S-K program. S-K or Saltonstall-Kennedy Program is a grants program established to fund the development and promotion of the U.S. seafood industry and fisheries products.

As I mentioned before, I am not here to ask for subsidies to the fishing industry, but we do need help with S-K.

S-K funds are collected by USDA as tariffs on imported seafood and seafood products, not from taxes. Thirty percent of these tariffs are turned over to the U.S. Secretary of Commerce to provide for the development and promotion of the U.S. fishing industry and fisheries products. I will expand these remarks in a formal statement and offer specific suggestions later this week.

Finally, I would urge the committee to support the Sea Grant College program so that we might continue to assist the fishing industry just as the land-grant system has advanced American agriculture. The Sea-Grant Program has been starved for funds during the 1980's.

Again, more specifics, Mr. Chairman, will be sent to the committee later this week. I thank you very much for your time.

[The prepared statement of Mr. Schill appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. Bunch.

STATEMENT OF PERCY E. BUNCH, PRESIDENT, NATIONAL WATERMELON ASSOCIATION, AND BOARD MEMBER, NORTH CAROLINA WATERMELON ASSOCIATION

Mr. BUNCH. Mr. Chairman, I would like to thank you and the committee members for offering me this opportunity to testify today. I guess the advantage of being one of the last speakers is everything has been said twice, half the people are gone and the other half want me to hurry up and get through so they can go.

I am Percy Bunch of Murfreesboro, North Carolina, where I am a producer and shipper of watermelons. Additionally, I am on the board of the North Carolina Watermelon Association and serve as president of the National Watermelon Association.

Watermelons are grown in about every State in the Nation. We are aware of several thousand producers whose annual output of this highly nutritious and favorite fruit exceeds 2 billion pounds and accounts for more than $160 million in farm gate value.

Though watermelons are an eternally popular part of the American diet, they have not shared in the uptrend of per capita consumption being enjoyed by other fresh fruits and vegetables, but we are endeavoring to rectify this situation through such undertakings as a national research and promotion plan. This self-help program is now in place after a number of years of formal rulemaking. The National Watermelon Board was just recently appointed by Agriculture Secretary Yeutter, and is in its initial organizational phase, preparing to collect assessments from producers and handlers commencing with the 1990 watermelon producing season.

Watermelon production falls within that immense category of nonprice-supported crops and animal production comprising nearly two-thirds of American agriculture, and consequently much of the legislation in a Federal farm bill is not directed to such industries as produce. But there are various titles that cross reference and do apply. Titles X through XIV of the 1985 Food Security Act, for example, contain a broad assortment of sections and subsections of general application in areas like trade, conservation, credit, agricultural research, extension and teaching, marketing, and miscellaneous matters.

The 1990 farm bill can be expected to contain more direct relevance to all U.S. agriculture in the area of the environment alone. Food safety has become a catch phrase of public opinion and can readily mobilize tremendous outpourings of concern about the way farmers use pesticides and other chemicals that help keep America the best fed Nation on Earth for the lowest cost of disposable income.

It is of great concern to the watermelon industry that large numbers of the public do not understand the role of the American farmer as an environmentalist of the first order.

We who till the soil and must care for it as a replenisher of literally our daily bread are as intimate with the soil and its surrounding environment as anyone can be, and we are not careless with it.

The Institute of Food Technologists, whose membership includes many of the world's leading food specialists, impaneled 41 scientists of 18 professional societies to evaluate the safety of the American food supply. It examined 5 areas of interest such as microbial contaminants, environmental contaminants, natural toxicants, pesticide residues, and food and feed additives.

The group concluded the American food supply is amongst the safest in the world. The scientists further concluded that current State and Federal legislation generally provides sufficient authority to protect consumers from food-borne disease and microbial hazards.

At latest count, professional societies representing 100,000 working professional scientists had certified that the report had passed their organization's ratification mechanism.

We in the watermelon industry, as in the rest of agriculture, are being stifled to our economic demise as even minor use chemicals are wrested from our defense against insects and diseases, not to mention many roadblocks, restrictions, escalating costs in dealing with farm labor, worker safety, certification requirements, ground water protection, clean air, endangered species, transportation, and the like.

We concur with the food technologists that risk assessment techniques should be more broadly applied to food safety, that the methodology needs to be refined and more funds should be budgeted for food safety research. And an integrated national policy on real rather than perceived needs should be developed.

It is encouraging for us to hear agricultural leaders in Washington, DC, declare the 1990 farm bill should continue to protect farmers' incomes, provide flexibility, and help expand markets for our many commodities. Nonprice-supported crops, such as watermelons, which have worked hard to strike a voluntary balance between production and demand, should be protected from intrusion of acres released from set-aside provisos in price-supported crops.

We join with Secretary Yeutter and such legislators as Chairman de la Garza who encourage us to tell the positive story of American agriculture and America's food supply. Our message need not be complex; it can be as simplistic as the opening line of an agricultural chemical firm's television advertisement that extol the plusses of American agriculture: "Imagine if all farmers disappeared and we were left to raise our own food."

Thank you, Mr. Chairman and committee members.

[The prepared statement of Mr. Bunch appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, sir.

Mr. McCaskill.

STATEMENT OF R. LYNN McCASKILL, CHAIRMAN, REGION H, RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL

Mr. McCASKILL. Thank you.

I am Lynn McCaskill from Richmond County, North Carolina. I am a pharmacist and owner and operator of Ellerbee Pharmacy in Ellerbee, North Carolina.

Ellerbee is a very small rural town with a population of less than 1,800 people. It is not unlike numerous other small towns and rural communities across our entire Nation. It is struggling to exist and survive the changes of today's society.

I chair myself a Resource Conservation and Development Council which is composed of a very diversified group of citizens. Within our nonprofit organization we have professional educators, a minister, a CPA, a number of farmers, a nurseryman, a recreational equipment dealer, a North Carolina Wildlife Commissioner, a banker, a manager of a rural electric corporation, a railroad supervisor, a textile plant owner and operator and also a farm equipment dealer among others. Our ages vary from 40 to 76 years of age. We are a composite, we are male, female, black, white, some physically handicapped.

Over the years the Department of Agriculture has attempted to address rural development, rural enterprises, rural infrastructure, just to mention a few of the ideologies that have germinated from hours of study and planning by the many USDA agencies that are assigned to rural development responsibility and funding to support them. We, the council, are not a USDA agency, but we are a group of concerned citizens whose purpose that we banded together is to improve the economy, the environment, and standard of living of the communities we serve on a strictly voluntary basis.

Over the years we have made a lot of progress in rural development by helping people help themselves and not, I might emphasize, at a total cost to the Government. Our projects have varied according to the needs of the community. It may have been an energy-saving demonstration, an aquaculture workshop, a community effort to solve a flooding problem of homes and businesses. The development of an industrial park, a community park to provide recreational opportunities, just to mention a few of the projects that RC&D councils all across the Nation have undertaken during the last 25 years.

Unfortunately, we have received little credit and publicity for these very worthwhile projects. One of the reasons is our lack of a nationwide network of RC&D councils. Historically, we have received a meager amount of support from USDA through the Soil Conservation Service budget, about $25 million annually for the total RC&D program nationwide. This I think has been true for about the last 10 years.

This small appropriation has been used by councils for the employment of a coordinator and a part-time secretary, and these are the only paid staff members that each council has. A small amount, about 25 percent, of this $25 million nationwide has been used to provide cost-sharing for innovative rural development projects and demonstrations. However, there is not enough funding to allow for the development and support of RC&D councils on a nationwide basis. We would like to see this support by the Department through the Soil Conservation Service expanded.

We would ask that you look at our program efforts and compare the costs of supporting our rural development program to that of the Department's agencies who have been given rural development responsibilities over the last 25 years. RC&D council members who bring community leaders, business people, educators, and local citizens together so they can identify and attack local community problems would like to be the main vehicle for the U.S. Department of Agriculture's rural development programs in the 1990's. This will not be a Federal agency leading but a group of lay people leading with the support of the U.S. Department of Agriculture.

I do have a letter that I would like to—a very short letter, I might add—that I would like to read, and a copy has been sent to the chairman in Washington and we will make sure that everyone else gets a copy.

This is from Tom Burns, chairman of the Albemarle RC&D Council and John Stallings, chairman of the Mid-East RC&D Council, my counterparts in two other councils of the six we have in North Carolina.

The Albemarle and Mid-East Resource Conservation and Development Councils of Northeast North Carolina would like to offer the following testimony for your use at the January 29, 1990 hearing in Fayetteville, North Carolina. We welcome you and your committee to our great State.

The Resource Conservation and Development Program is instrumental in carrying out many rural development activities all across the Nation. We feel strongly that this program should be used as the rural development vehicle for USDA. An amendment to the 1990 farm bill is being offered by a Georgia delegate which would make this a reality. Our own Region H RC&D Council is on the agenda to speak to your committee about how effective RC&D Councils are in North Carolina and we support their testimony completely.

RC&D has a good track record in rural development. It is our opinion that we have the organizational expertise and experience necessary to pull together and effectively manage the rural development responsibilities for USDA. Consideration of this proposal for inclusion in the 1990 farm bill during this session would be greatly appreciated.

And that is signed, again, Tom Burns and John Stallings. Thank you for allowing me to appear here today.

The CHAIRMAN. Thank you very much.

Questions.

Mr. VOLKMER. Could I ask Mr. Nichols, what is your present price for your fluid milk?

Mr. NICHOLS. My price is the only one that I really know, for 4.2 test last month was $17.45.

The CHAIRMAN. It is up there.

Mr. VOLKMER. Good price.

The CHAIRMAN. It has been working well.

Thank you very much.

Mr. Bunch, I would just like to say, and maybe we will end the meeting with this, that there is a song out there that says among the finer things in life that lift your spirits all the time are old dogs, little children, and watermelon wine.

Thank you very much for your cooperation, your attendance, and the committee will stand adjourned, subject to the call of the Chair.

[Whereupon, at 3:13 p.m., the hearing was adjourned, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

Statement before the U. S. House of Representatives Committee on Agriculture by North Carolina Commissioner of Agriculture James A. Graham, Monday January 29, 1990, 11 a.m., Charlie Rose Agra-Export Center Extension Auditorium, Fayetteville.

Chairman de la Garza, distinguished committee members, ladies and gentlemen, thank you so much for coming to North Carolina and for the opportunity to appear before you. This all important committee is so necessary to feeding mankind.

Individually and collectively, you are performing an outstanding service to farmers, the nation and the world.

To that end, you are now developing the 1990 Farm Bill. It is my sincere hope that the bill will be patterned as closely as possible to the 1985 bill. Keep in mind, price support rates and target price rates should not be reduced. They are low enough.

As you develop this bill, I urge you to maintain the integrity of the peanut and tobacco programs which are the very heart of North Carolina agriculture.

Also, I encourage a strong, aggressive export program. Recently, I announced the North Carolina Department of Agriculture's plan to increase agricultural exports. In other words, we are redoubling our efforts in the Tarheel state and our track record will prove it. All I ask is for the federal government to do its part.

Let me beg of you to give consideration to federal state cooperative programs. As an example, the animal health program. We in our Department have developed a ten year program patterned after the federal program for control/eradication of pseudorabies in our state's hog population. We currently have 450 herds under quarantine. Our pork industry is comprised of several extremely large operations as well as approximately 9,000 medium to small producers.

(more)

Recently federal matching funds for this effort have been reduced, placing an extreme hardship on our eradication program. These animal health programs are vital and must be maintained.

Food safety is on the minds of all consumers as well as producers. Our Food & Drug lab is currently doing a terrific job of ensuring our people that North Carolina food is clean and safe. However, a national approach to this effort is all important and the cost must be shared by both federal and state governments.

Marketing both domestic and export is vital to our continuing effort to maintain a healthy agricultural economy. We currently have what I consider one of the best promotional programs in the country and as I stated earlier, we're placing added emphasis on our export programs.

Key members of my staff work hand in hand with environmentalist, EPA and several other groups to insure clean air and water. I am an environmentalist and so are farmers. We eat the same thing we sell and thus we have a vested interest in protecting our food supply.

I too am a conservationist and we must maintain some incentive such as cost share programs to preserve our soil and water for future generations. There is no telling how much the ACP (Agricultural Conservation Program) has meant to the preservation of soil and water along with many federal and state conservation cost sharing programs. These insurance-type programs must be maintained.

Finally, let me once again ask you to erase from your minds the words "free Market." There is no such thing. Do what you can to improve export markets with a reasonable return to our farmers. Agricultural exports for this nation have got to be top priority.

If we can afford the billions of dollars to protect ourselves from foreign attack, from crime, from pollution, from disease, can we not also protect ourselves from hunger?

Thank you, Mr. Chairman and distinguished committee members, for allowing me to speak here today.

TESTIMONY BY BOBBY SESSIONS

BEFORE THE HOUSE AGRICULTURE COMMITTEE

ON THE FARM BILL OF 1990

JANUARY 29, 1990 IN FAYETTEVILLE, NORTH CAROLINA

Mr. Chairman and members of the committee, my name is Bobby Sessions, and I'm a farmer from Whiteville, North Carolina. I'm here today to let you gentlemen know what a farmer and borrower of the Farm Credit System would like to see in the 1990 Farm Bill. I'd like to thank the gentlemen on the House Agriculture Committee for taking the time to come down here to North Carolina to hear the views of local farmers on these important issues, and to thank Charlie Rose for his involvement and continued support for the North Carolina farmer.

I will be addressing some of the general areas of farm credit, while Maxey Love, the Chief Executive Officer of the Farm Credit Bank of Columbia, is here to give you gentlemen some specific figures and to answer any questions y'all might have.

I've been a farmer all my life with a 600 acre farm on which I grow tobacco, peanuts, corn, and soybeans. I've also been a borrower of Farm Credit for over 30 years, and I serve as a director on the Cape Fear Federal Land Bank Association Board.

I speak to you today on behalf of some 28,000 cooperative members in North Carolina who borrow over $1.2 billion from their local Farm Credit associations. Together these Federal Land Bank Associations and the Production Credit Association provide almost 40 percent of the financing used by farmers in financing farm real estate and as working capital throughout the state of North Carolina.

As we begin the 1990's, the general health of the agriculture industry is rebounding from some of the worst times in the history of agriculture. Not only have we suffered through an economic recession, but the American farmer has endured droughts, crop failures, and here in the Carolinas, the devastation wrought by Hurricane Hugo. In order to keep the family farm from becoming a thing of the past, there is an overall necessity for reasonable farm credit.

There are several issues I would like to discuss concerning the direction of farm and rural development legislation. The significant recovery of the agriculture industry over the last several years is due in part to the successes of the 1985 Farm Bill. Much of what was accomplished by the 1985 Farm Bill is still of importance today.

One issue that needs to be addressed more fully in the 1990 Farm Bill is rural development. As a director for a Farm Credit institution, I know how hard the subcommittee on Conservation, Credit, and Rural Development, chaired by Mr. English, has been working. I want to thank Mr. English and the subcommittee members for maintaining an open communication line with the Farm Credit System on these important issues. I would also like to commend all of the honorable congressman from the Third Farm Credit District that serve on the Ag Committee; Mr. Jones, Mr. Rose, Mr. Hatcher, Mr. Tallon, Mr. Lewis, Mr. Lancaster and Mr. Thomas. All of these gentlemen continue to work closely with the district Farm Credit institutions, and we certainly appreciate their efforts.

We hope that the current version of Mr. English's bill will maintain the expansion of the population limitation to enable our associations to service all types of rural residential loans, not just loans to be sold in the secondary market through Farmer Mac. As many of our rural communities are now experiencing growth, the old limitation of 2,500 people is just not reasonable anymore, and does not coincide with the "rural" designations in other provisions of the Agriculture Credit Act of 1987. Increasing the current limitation on rural residential loans to 20,000 people is a more realistic figure and allows the members of small communities to have access to reasonable credit in keeping with their budgets. Again, we want to stress the fact that the Farm Credit System needs to be able to service all types of loans and not be limited to the smaller loan volume in the Farmer Mac program.

We also want to commend Robin Tallon for his tireless work on the introduction and preservation of the provision that allows the Farm Credit institutions to service loans to communities and cooperatives that are installing water and waste disposal systems in rural areas. Many of these small communities and rural areas are sorely in need of adequate water and waste facilities, and I thank the subcommittee members for seeking to remedy this situation.

The current provision in Mr. English's bill allows the Bank for Cooperatives to make these loans. We would like to see this provision amended to allow any entity of the Farm Credit System to service these loans. We feel this is such an important measure in alleviating the health risks in the present systems of rural communities, that the availability of these loans should not be restricted to only one lending authority within the Farm Credit System.

We need to maintain the availability of reasonable credit for farm operations as well as for rural residential borrowers. Although many positive aspects were accomplished by The Agricultural Credit Act of 1987, some technical difficulties are being experienced by many Farm Credit associations in our district. The voluntary effort on the part of this district as well as other Farm Credit districts to streamline the credit delivery system must be supplemented through technical amendments that clarify portions of the Agriculture Credit Act of 1987, of which this committee was instrumental in developing.

Specifically, borrowers' rights provisions, intended to provide the necessary procedures for farmers to maintain their heritage and reestablish themselves financially, have become a mechanism for some individuals to delay what are prudent actions on the part of the lender. Thus, good borrowers must bear the expense of servicing individuals who knowingly abuse these rights. Safeguards need to be instituted to guard against these types of undue abuses by borrowers, such as restructuring loan after loan to the costly detriment of the borrowers who pay their loans in a timely manner.

In some cases, individuals are able to forestall collective actions for a significant period of time heightening the actual loss. We would ask that these provisions be re-evaluated, with language provided to prevent the fraudulent use of these rights granted to help rural borrowers to get through those lean times. We believe that these amendments are needed to carry out the full intent of Congress as contemplated by the Agriculture Credit Act of 1987.

Another related issue I would like to bring to your attention concerns the current direction of the Farmers Home Administration's (FmHA) role toward guarantee loan programs and direct lending programs. As a "lender of last resort" FmHA plays a vital role in guaranteeing or providing credit to financially stressed farmers whose needs cannot be met by private sector sources. Emphasis, however, should be focused toward only those farmers who have a reasonable prospect for success. As a guarantor, FmHA provides farmers of marginal financial circumstances an opportunity to obtain credit through the private sector while farmers with little or no prospect for profitability should receive counseling advising them as such. Consequently, FmHA should continue to focus on its guarantee lending programs and maintain only minimal direct lending commitment.

Even as direct lending should more appropriately be provided by the private sector any efforts toward reducing the paperwork and making the program less burdensome are necessary to encourage use by the private sector. Efforts to streamline the entire process would help all lenders more fully meet the credit needs of all involved in agriculture. If accomplished, streamlining the paperwork would prevent the cost of processing from being passed on to those who can least afford it.

As amended, The Farm Credit Act of 1971, provides authority for Farm Credit System to provide financially related services in order to accomplish the objective of "improving the income and well-being of American farmers and ranchers." All member borrowers benefit when their credit cooperative is able to offer a broad range of financial services. System institutions and their respective associations have successfully offered credit or term life, credit disability, crop hail, multi-peril crop, title and insurance needed in protecting their loan repayment capability, managing their operations and protecting the continuation of their operation.

Rural Americans are but a minority segment of our total population, however, their contribution to all is significant. Agricultural is vital to each and every American. The Farm Credit System which has been serving agriculture and rural America since 1916 has provided billions of dollars in financing to enable agriculture to function smoothly and efficiently. We currently have the infrastructure in place through our local associations to provide credit services to all of rural America. However, Farm Credit is in the unique situation to make greater contributions without increased cost to the Federal government.

Presently there is a limit on our ability to make rural home loans. Loans to purchase or finance home improvements cannot exceed 15 percent of our total Land Bank Association or Production Credit portfolio. In the past, within this district, we have reached this limit and thus had to stop making rural home loans. Presently we find ourselves approaching a similar situation as the demand for agricultural credit declines. As our total portfolio declines, the 15 percent limit becomes more restrictive on our ability to make to make loans in rural communities. With nearly 13 percent of our portfolio in rural home loans, we will not be able to meet any increased demand should the agricultural economy continue as projected. In some isolated rural areas there are not many lenders available for these types of loans.

Another vital factor in the survival of the farmer is the continued reliance of foreign markets for farm products. I would stress that every consideration be given to maintaining the competitiveness of our agricultural exports against those countries whose trade practices or agricultural policies are unfair. Farmers across this state depend on foreign markets and according to the latest figures, the value of agricultural exports were $874 million or about 20 percent of gross receipts. Two-thirds of the value of North Carolina exports or $589 million was from export sales of unmanufactured tobacco. It is therefore crucial that the Export Enhancement Program (EEP) and the government sponsored export loan guarantee program such as those administered under the USDA General Sales Management (GSM) be maintained. It is essential that these programs continue and be supported by the legislature in order to continue the viability of a global agriculture market. By broadening the authorities of district Farm Credit institutions to include financing exports, Congress could provide expanded competition for financing foreign sales by U.S. merchants. In the future, farmers must face an increasing global market. To remain competitive, domestic marketing channels must be motivated by competition and efficiency. Without this competition to meet these foreign markets, many farmers in this state would not be able to maintain the same standard of living they now enjoy.

Another issue of great concern to the average farmer is Federal Crop Insurance. Occurrences such as the recent droughts and Hugo, show how important it is to continue multi-peril crop insurance to safeguard our farms and families from financial devastation at the hands of forces beyond man's control.

As farming is perhaps the most directly involved vocation with our environment, most agricultural related entities, as well as most farmers, are very concerned about the environment. As a single industry lender of credit to agriculture, Farm Credit institutions and their local associations have a substantial stake in encouraging sound soil conservation and environmental practices. It is in the best interest of both lender and borrower to ensure proper stewardship of land and water resources and safe handling of chemical and biological contaminants to ensure the long-term productivity of soil resources and the safety of ground water supplies. It would be detrimental to all farm borrowers, however, for lenders to be required to impose loan approval or other restrictions on farmers to meet conservation and environmental objectives. In addition, legislation intended to limit lender liability for environmental damage caused by their borrowers and for the clean up of property acquired through collection actions would help keep these costs from being passed on to all borrowers.

As lenders themselves are often land stewards as a result of acquired property, it would be in the best interest of environmental protection for land that is highly erodible to be eligible to be enrolled in the conservation reserve program by that lender. Further, farm operators who purchase these properties for farm purposes should be granted eligibility for enrollment as well.

Another concern facing many farmers is the current direction of many land use and rural planning policies aimed at maintaining agricultural real estate in a permanent capacity. The consequences of such actions tend to prevent farmers from benefiting fully from the appreciation of farm real estate assets. Typically, the value of farm real estate comprises between 70 and 80 percent of total assets of southeastern farmers. By restricting farm real estate use to only agricultural purposes many farmers are precluded from attaining the full value of their investment in real estate. It is my belief that this situation if unaddressed will become a significant problem not just in North Carolina or the Third Farm Credit District, but in many areas of the country as well.

Gentlemen, I thank you for your attention to local farmers and hope that you might use some of my thoughts in drafting the 1990 Farm Bill. I certainly have not covered all of the important issues and hope that you will look to our written statement for a more complete discussion of the issues facing today's ag industry. Together, we can all insure that such things as drought, recession, and unexpected forces of nature, such as Hugo, do not undermine the American farmer and the values upon which this great nation of ours was founded.

In the Third Farm Credit District and North Carolina, we have a great potential. We have an abundance of natural resources, good men and women who farm the land, and the capacity and the will to succeed. The tremendous efforts on the part of Congress in the past have provided an opportunity for all of agriculture to meet the challenges of a volatile and changing role in the global economy.

I again thank you for the opportunity to appear before you today, and will now turn the floor over to the CEO of the Farm Credit Bank of Columbia, Maxey Love, for a few brief words on the Farm Credit Bank and for any questions y'all might have.

TESTIMONY BY MAXEY D. LOVE, JR.

Mr. Chairman, Members of the Agricultural Committee, my name is Maxey Love, Chief Executive Officer of The Farm Credit Bank of Columbia, South Carolina. The bank provides credit and related services through twenty (20) jointly managed productions credit associations and federal land bank associations in North Carolina, South Carolina, Georgia, and Florida. I appreciate the opportunity of speaking to you today concerning legislation related to the 1990 Farm Bill.

Through our Land Bank Associations we provide approximately 49 percent of the long-term agricultural credit outstanding and our Production Credit Association provides about 23 percent of the short and intermediate term credit. Combined, we have 62,000 cooperative members who borrow over $3.7 billion from their local associations. About one out of every three farms in our four states uses one of our local associations for a portion of their credit needs.

My brief statement today is on behalf of the Farm Credit Bank of Columbia and the associations we serve. I would like to reiterate Mr. Sessions' statement of appreciation toward your committee's efforts in helping bring into law, The Agricultural Credit Act of 1987. The Act has allowed Farm Credit institutions to again establish themselves as dependable providers of credit to rural areas.

With the realization that Farm Credit institutions compete with other credit institutions in their respective territories, our local associations must manage their cost to remain profitable. To retain local offices, they need to offer fee based financial services and serve a broad base of financial needs of eligible borrowers. In order to do so on a competitive and profitable basis, associations must be afforded the opportunity to meet the needs of current customers and compete for new customers on a level playing field with other financial service organizations. Many of these organizations enjoy a low fund origination cost through insured deposits.

Under the provisions of the Farm Credit Act, The Farm Credit Bank, Production Credit Association and the Federal Land Bank Associations are authorized to provide financially related services to eligible borrowers. We believe that this authorization to offer technical and financially related services is not only beneficial to our members, but enhances our contribution to rural communities and maintains a presence in locations which may otherwise be unprofitable to serve.

In a cooperative, the offering of such services provides a convenience and an economic benefit to the members and their cooperative as well. Contributions to revenue from financially related services help to cover operating expenses and to diversify income of the bank and associations. Thus the financial benefit is ultimately returned to the member in the form of improved services and patronage dividends.

Finally, it is so important that the 1990 Farm Bill continue to provide our farmers with the vital risk management programs which have benefited them in the 1985 Farm Bill, such as crop insurance, target price provisions, and critical supply programs. Our farmers need the continuing opportunity to rely upon these provisions together with increased flexibility in the farm bill in order to have stability in view of the unpredictable forces of nature and the significant volatility in the agricultural markets. The foregoing programs have added inestimable value and protection to our tobacco, peanut, cotton, soybeans, and other row crop producers within the Third Farm Credit District.

In closing, I would like to thank the entire agriculture committee for allowing us to discuss issues concerning legislation for the 1990 Farm Bill. I would be happy to entertain any questions the committee may have.

(Attachment follows:)

THIRD FARM CREDIT DISTRICT
CREDIT MONITORING REPORT

A	December 31, 1989 Number B *	December 31, 1989 Amount C	November 30, 1989 Number D *	November 30, 1989 Amount E	Percentage Increase/(Decrease) from Previous Month Number F	Percentage Increase/(Decrease) from Previous Month Amount G	December 31, 1988 Number H *	December 31, 1988 Amount I	Percentage Increase/(Decrease) from Previous Year Number J	Percentage Increase/(Decrease) from Previous Year Amount K
Loan Volume										
1 FCB-LTP	54,218	3,147,837,042	54,420	3,187,043,947	(.4%)	(1.2%)	57,640	3,314,142,940	(5.9%)	(5.0%)
2 FCB-SITP	95	6,695,155	99	6,570,638	(4.0%)	1.9%	145	9,752,681	(34.5%)	(31.4%)
3 PCA	20,341	806,828,212	20,478	782,998,928	(.7%)	3.0%	21,545	755,554,663	(5.6%)	6.8%
4 Total	74,654	3,961,360,409	74,997	3,976,613,513	(.5%)	(.4%)	79,330	4,079,450,284	(5.9%)	(2.9%)
Adjusted Operating Cost per $100										
5 FCB-LTP		.531		.501		6.0%		.341		55.7%
6 FCB-SITP		1.171		1.137		3.0%		.998		17.3%
7 FLBA		.750		.751		(.1%)		.717		4.6%
8 PCA		3.357		3.327		.9%		3.221		4.2%
Foreclosures **										
9 FCB-LTP	270	41,590,710	261	41,351,559	3.4%	.6%	472	51,292,292	(42.8%)	(18.9%)
10 FCB-SITP	0	0	1	3,600	(100.0%)	(100.0%)	5	90,334	(100.0%)	(100.0%)
11 PCA	73	3,969,414	82	5,135,661	(11.0%)	(22.7%)	149	8,947,992	(51.0%)	(55.6%)
12 Total	343	45,560,124	344	46,490,820	(.3%)	(2.0%)	626	60,330,618	(45.2%)	(24.5%)
Bankruptcies **										
13 FCB-LTP	430	33,522,499	436	34,002,898	(1.4%)	(1.4%)	530	41,618,061	(18.9%)	(19.5%)
14 FCB-SITP	21	3,623,836	21	3,651,172	.0%	(.7%)	27	4,796,407	(22.2%)	(24.4%)
15 PCA	111	6,154,482	113	7,667,171	(1.8%)	(19.7%)	115	6,492,120	(3.5%)	(5.2%)
16 Total	562	43,300,817	570	45,321,240	(1.4%)	(4.5%)	672	52,906,588	(16.4%)	(18.2%)
Acquired Property ***										
17 FCB-LTP	80	12,300,501	90	13,132,192	(11.1%)	(6.3%)	65	11,786,185	23.1%	4.4%
18 FCB-SITP	2	90,000	3	186,804	(33.3%)	(51.8%)	8	524,520	(75.0%)	(82.8%)
19 PCA	36	7,410,119	37	8,055,212	(2.7%)	(8.0%)	51	7,029,217	(29.4%)	5.4%
20 Total	118	19,800,620	130	21,374,208	(9.2%)	(7.4%)	124	19,339,922	(4.8%)	2.4%
Nonaccrual Loans ***										
21 FCB-LTP	1,400	157,700,619	1,467	160,875,481	(4.6%)	(2.0%)	1,898	225,169,457	(26.2%)	(30.0%)
22 FCB-SITP	86	6,008,173	87	6,128,389	(1.1%)	(2.0%)	135	8,654,627	(36.3%)	(30.6%)
23 PCA	488	33,264,426	528	36,524,407	(7.6%)	(8.9%)	852	53,674,351	(42.7%)	(38.0%)
24 Total	1,974	196,973,218	2,082	203,528,277	(5.2%)	(3.2%)	2,885	287,498,434	(31.6%)	(31.5%)

FCB-LTP: (FCB Long Term Poll) formerly FLB; FCB-SITP (FCB Short/Intermediate Term Pool) formerly FICB.

* Denotes number of loans in FCB-LTP and number of borrowers in FCB-SITP and PCA.

** Foreclosures include loans also in bankruptcy; bankruptcies include loans also in foreclosure.
PCA foreclosure & bankruptcy totals have been extracted from the new COAL system and have not been reconciled.

*** Numbers for FCB-SITP and PCA acquired property and nonaccruals are obtained from the associations and cannot be verified.
Acquired property amounts shown are before deductions for loss allowances.

Revised: 1/ 9/90

STATEMENT BY

MICKEY ATKINS

VICE-PRESIDENT, UNITED CAROLINA BANK

Mr. Chairman, and members of the House Committee on Agriculture, I am Mickey Atkins, Vice President of United Carolina Bank in Whiteville, NC. I am the administrator for the agricultural credit for UCB. We have in excess of $100 million dollars in outstanding credit to farmers in southeastern and piedmont North Carolina.

I appreciate the opportunity to address the committee regarding the effectiveness of the Federal Agriculture and rural development policies since the enactment of the Food Security Act of 1985.

We have seen our agricultural economy strengthen since 1985 when it was at its lowest point since the great depression of the early 30's. Not only have land prices stabilized, but good farmland prices have increased since 85. This increase has been gradual and still has not reached the peak prices seen in the late 70's and early 80's. In addition, we have seen an increased demand for good farms as they have come on the market for sale.

Another factor contributing to this is that our farmers have become stronger and better managers because of the adversities they suffered in the 80's. The commodities they produce have reached a price level that allows them a reasonable but small profit.

While they are still not receiving the high dollar prices of the late 70's, most farmers are generating sufficient funds to provide operating expenses, service debts and provide a reasonable standard of living.

Farmers have taken a different attitude toward expansion since 1985 and will only expand if it makes good business sense and allows them a reasonable return on their investment. Many farmers realize that bigger is not always better and that too much expansion can bring problems. All in all, we can say that since 1985, we have seen some stabilization in the agriculture economy.

The Food Securities Act of 1985 came at a much needed time to help the agriculture sector. However, speaking from a agriculture lenders standpoint, it does contain items of concern. The notice of security interest in farm products which the lender is required to deliver to the potential buyer, commission merchant or sales agent of farm products in order to perfect a lien has placed the burden of notification of lien on the lender rather than the purchaser. As it now stands, the lender must file a UCC-1 at the courthouse and in the Office of the Secretary of State and deliver a notice of security interest in farm products to all potential buyers, commission merchants, or sales agents in order to maintain this perfected lien. The list of potential buyers is supplied by the farmer at the time he is negotiating credit for his crops. By the time the crop is harvested and sold, the potential buyer of record may or may not, in fact, be the actual purchaser of the commodity. If he is not and the customer failed to notify the lender of the change, it is possible for the lender to lose his lien position on the crop and have what he thought was a loan secured by crops suddenly become an unsecured transaction. At this point, the lender only has recourse against his borrower.

Another fallacy of the act is it assumes that the product will be marketed within 12 months of the negotiations of the credit. Many times farmers hold their commodities in storage which could run for as long as 18 months from the date he negotiated his loan. If this is the case, the lender is faced with having to send new notifications to the potential purchasers. A good solution to this would be amend the act to extend the period to 18 months to eliminate the burden and expense of renotification. Some lenders have been reluctant to extend credit secured by growing or stored agriculture commodities; in many cases, they have extended the much needed credit on other tangible security. This has made the process of obtaining production credit more difficult for the farmer.

As lenders, we have seen a reluctance on the part of farmers to have the notification mailed to potential buyers or sales agents. Farmers want their financial transactions held in strictest confidence and many consider it an invasion of their private affairs. We so often hear a farmer say "I don't know where or to whom I will sell my crops. I intend to sell them to the buyer that offers the highest price."

The filing of a lien on agriculture products could be done at one central location such as the Secretary of State or the local ASCS Office. I might suggest the local ASCS Office because they have a record of the farmers crops grown from his certification and could very easily attach a copy of the filed UCC-1 to the farmers records. In this case, the purchaser or sales agent could contact the ASCS Office to determine if a lien existed on the commodity. If no liens were of record, he would feel safe as to the title to the commodity he was purchasing. If a lien was on record, he could contact the lien holder to determine the disposition of the proceeds for the product. By doing this the buyer, seller and the farmer would be protected as to the transaction.

The statue currently provides for a central filing and notification system through the Secretary of State's Office. The State of North Carolina has not chosen to implement this system and appears unlikely to do so.

To implement a system through the ASCS Offices would require an amendment to the statue.

The agricultural environment within our market areas has shown improvement during the past five yeras. Farmers are operating more as businessmen in the true sense of the word. The Food Security Act of 1985 has complicated the "red tape". I would recommend to you that you consider the modifications proposed herein as in the best interest of all parties and certainly a method of streamlining the documentation process. Therein, in all likelihood, the credit markets would be more amenable to take the credit risks associated with financing commodities since the documentation risks would have diminished.

Statement of W. B. Jenkins, President
NORTH CAROLINA FARM BUREAU
Before The
U. S. HOUSE AGRICULTURE COMMITTEE

January 29, 1990

Mr. Chairman, Members of the House Agriculture Committee, I am W. B. Jenkins, President of the North Carolina Farm Bureau. On behalf of the Farm Bureau members, I express appreciation to you for holding this hearing in North Carolina's Seventh Congressional District.

To you, Mr. Chairman, other members of the Committee and Congressional Staff, we thank you for taking the time and showing the interest in North Carolina's agriculture to hold this hearing in Fayetteville today. We recognize the pressures for your time and attention and realize that your presence here today is indicative of concerns for the agricultural sector of the U.S. economy.

This Committee has already begun receiving input and suggestions to be considered and incorporated in the next Omnibus Farm Bill. There are varied views as to the provisions which that legislation should contain. Many sectors of our economy and interest groups are participating in the process you allow for input into your considerations. All such groups are well intentioned, no doubt. However, we are concerned that some groups are not close enough to farming to be able to fairly evaluate the impacts of certain provisions they espouse.

Food Security Act of 1985

From our perspective, the Food Security Act of 1985 has been relatively successful in achieving the basic goals set forth during its consideration. When the 1985 Act was being developed, U.S. farmers were confronted with large surpluses and uncompetitive prices for major export commodities. Those conditions were the result of weaknesses in the global economy, an inordinately strong dollar, and the export subsidy policies of some competing nations. Our exports and share of markets had fallen rather dramatically during the period following enactment of the 1981 Farm Bill.

During that same period, the farm economy experienced its most dramatic downturn in fifty (50) years leading some to describe it as a period equivalent to the great depression of the 1930's. Farm equity which reached a high of $922.9 billion in 1980 declined by 29 percent to $654.7 billion in 1985. Farm debt increased from $178.7 billion in 1980 to $206.5 at excessively high interest rates by 1983. (Source: Economic Indicators of the Farm Sector - National Financial Summary 1988, Table 1).

Farm bankruptcies and foreclosures were being widely reported on the evening news and daily newspapers.

Although the aggregate numbers have shown some improvement over the past three years (farm equity has improved by about nine percent; farm debt has declined by twenty-eight percent), a number of farmers continue to struggle with the burden of heavy debt. Many of those have seen their difficult situation compounded by adverse weather conditions which have been prevalent and widespread during the decade of the 1980's.

The weather factor, a planned devaluation of the U.S. dollar in relationship to monies of several developed economies, the lowering of loan rates for major export commodities, the Export Enhancement Program, Targeted Export Assistance, combined with Marketing Loan Programs for some commodities has helped to:

(a) Reduce excessive stockpiles;
(b) Increase both volume and value of exports;
(c) Improve net farm income.

Those were the major objectives of the Food Security Act.

Mr. Chairman, achieving those objectives required substantial funding from the U.S. Treasury. The Food Security Act was expected to carry a considerable price tag and it has; but it was a necessary expenditure in order to reverse the trend which had been developing under the 1977 and 1981 Farm Bills.

We believe it will continue to be essential that government funding be substantially involved in agriculture into the decade of the 90's and until the political, economic and trade differences between the trading nations of the world are resolved. We recognize that given the budget constraints, that level of participation will not likely continue in the $10-$15 billion range for the next several years. I would point out, however, that the goal of improving net farm income would have gone down the tube without the outlays of the Treasury over the past four years.

Further, I would suggest that farmers would prefer to be able to make a livelihood without government's financial participation, but such is not possible given the economics of our markets at home and abroad. The free market so frequently espoused is simply not that benevolent.

At this point in time, it may be unfortunate that a new farm bill has to be developed. There are a number of forces outside the provisions of the farm bill which will influence what we in the United States can do in the coming years. Among those forces are the outcome or final agreements reached in the negotiations of the Uruguay Rounds; the final determinations of food safety standards; environmental and water quality issues; domestic economic growth; and political stability abroad.

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Uncertainties concerning food safety and the issues surrounding the environment and water quality leaves us less than clear on what agriculture's productive capabilities may be in the future.

Low Input/Sustainable Agriculture (LISA) has become a new buzz word in many circles. But what does it really mean in the final analysis? To some, it is perceived as food and fiber produced without the use of man-made chemicals or_fertilizers. To others, it means more moderation in the use of such products while to others, it means limiting the use of chemicals and fertilizers only to the extent necessary to maintain economically viable production levels. Candidly, we believe the economically lean years of the 1980's combined with the heightened awareness of the risks to ourselves, our families, and our resources have already made farmers good stewards and managers of the inputs used in producing food and fiber.

Farmers use Integrated Pest Management programs for many crops which has reduced the quantity of pesticides used. I.P.M. programs for additional crops are being developed and will be adapted into farming operations. Additionally, the reregistration process underway under the provisions of the Federal Insecticide, Fungicide and Rodenticide Act has already eliminated a number of products and will likely remove even more from the market in this country.

The impact of the loss of the products if really needed in the future will be recorded in future history. It may be that through adoption of the products of biotechnology, we can develop an agriculture that is less dependent on traditional additives, chemicals and fertilizers while maintaining productivity at economically viable levels. I would simply make the point that it costs the same to plant, cultivate and harvest an acre of corn yielding fifty (50) bushels as it does the same acre yielding one hundred (100) bushels. The difference is that it costs twice as much per bushel and bushels are what farmers sell.

Should the LISA concepts become mandated in the farm bill or by other legislative action, and assuming that our productive capability per unit will be somewhat reduced, the next question to emerge will be -- Do we have to reclaim some of the land placed in the Conservation Reserve Program and other conserving uses? What will be the impact on our competitiveness in the marketplace? What will be the impact on consumers? What will be the impact on agriculture's infrastructure? Until the answers to these questions become more clearly defined, we urge that you refrain from mandating such concept. It would appear more appropriate to provide for additional research and demonstration projects on a fairly widespread basis across this county. That would be advantageous to both farmers and consumers.

Mr. Chairman, I have devoted a considerable portion of this statement to the LISA concept which has received so much publicity over the past year or so. U.S. agriculture has, over the past fifty years, built a productive food and fiber machine which has become the envy of the world. The technology and practices we have developed and utilized in that machine have been shared and/or copied around the world. In order that we can remain an efficient producer of food and fiber, we urge extreme caution in changes which will lessen our productivity and efficiency.

With respect to the 1990 Farm Bill, Farm Bureau recommends that the principal features of the Food Security Act of 1985 be continued with some fine tuning. There is an expression frequently used that "if it ain't broke, don't fix it". I would suggest that "if it ain't broke", let's not tear it apart to see what was making it work or we may not get it put back together quite so well.

The Loan Rates, Target Prices and income supports through deficiency payments have worked relatively well. Adjustments made under the 1985 Act especially in loan rates have generally achieved price competitiveness in world markets for the major export commodities. The formula contained in that act should be continued, but we believe floor levels should be considered. For example, for cotton, we suggest that a floor level of fifty (50) cents per pound for the loan rate should be maintained. Comparable floor levels should be considered for wheat, feed grains and rice. Target prices should not be further reduced for these commodities in the new bill.

With respect to the flexibility issue, producers should be allowed to interchange the base acreage among program and non-program crops provided that total deficiency payments and total crop base acreage on the farm does not increase. Program crop base acreage planted to approved non-program crops should forego deficiency payments on such acreage.

The peanut title of the Food Security Act has worked well and we recommend its continuance in the new bill. A program that has worked as well as this one over the past four years should not be tampered with. The quota loan rate must be allowed to continue to reflect the Index of Prices Paid by farmers for input items. We insist that the Section 22 provisions of the Agricultural Adjustment Act of 1938 be maintained.

For dairy, we believe the formula to determine the price support adjustor may need more flexibility than contained in the current law. For example, rather than setting in law the trigger level, now at five (5) billion pounds milk equivalent, consideration should be given to basing the adjustor on a percentage of production. Total solids should be considered as the basis for calculation of milk equivalent purchases rather than the currently used butterfat basis. I believe also that in the interest of producers, the industry and the consumers, it is essential that we preserve and utilize Marketing Order programs

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and currently established transportation differentials which assist in orderly marketing of milk.

Mr. Chairman, Title XII of the Food Security Act has caused considerable problems for many farmers in this and other states. Farmers have made the good faith effort to meet the objectives of the Conservation Title of that Act and the ensuing regulations promulgated to carry out those objectives. We urge that you not impose further restrictions in the new bill but rather allow time for the full implementation of the farm plans which have been developed.

Agricultural research needs are as great today as they have ever been. Technology developed through research has benefitted not only every consumer in the United States, but has accrued to billions of people around the world. Fundamentally, we have not kept pace in the funding of agricultural research over the past two decades when the inflation factor is considered. We believe that to insure U.S. competitiveness in production capabilities and meet the food and fiber needs of a growing world population, it is essential that the United States make a greater financial commitment to agricultural research.

There are two additional areas of concern to farmers which we wish to raise and encourage you to support. Farmers, as self-employed business people, are in some cases paying $5,000.00 per year for health insurance coverage. In many cases, this is one-fourth or more of net income. Current law allows the self-employed farmer to deduct one-fourth of the health insurance premium as a business expense. That provision is due to expire September 30, 1990. We strongly feel that farmers should be allowed to deduct the full cost of such premiums. We encourage you to provide leadership and support to achieve such allowance.

The other area of concern is in regards to capital gains. Generally, farmers live poor; they spend their entire working lives building equity in land, buildings, machinery and timber. After a lifetime of hard work and sacrifice, they decide to retire and all they have is land, buildings, equipment and timber. Under current law, if they convert such assets into cash, their retirement is treated as ordinary income for that year. Capital gains is not just for the rich. It is for middle Americans who worked hard and saved to have equity for their later years of life. Farmers and other working Americans need a long-term capital gains provision which does not penalize them for working hard and building equity for their future.

In conclusion, I have not yet mentioned tobacco because it is not a part of the omnibus farm bill. We want to keep it that way. At this point, my organization prefers that no tobacco legislation be considered in 1990.

Again, Mr. Chairman and members of the Committee, we sincerely thank you for coming to Fayetteville, North Carolina today.

STATEMENT
OF THE
NORTH CAROLINA STATE GRANGE
AT
PUBLIC HEARING
FAYETTEVILLE, N.C.
JANUARY 29, 1990

DISTINGUISHED MEMBERS OF THE HOUSE AGRICULTURAL COMMITTEE, I, ALONG WITH THE MANY OTHERS HERE TODAY, AM PLEASED TO WELCOME YOU TO NORTH CAROLINA. THANK YOU FOR HOLDING THIS IMPORTANT HEARING ON THE 1990 FARM LEGISLATION IN THIS IMPORTANT AGRICULTURAL AREA OF OUR STATE AND NATION.

CONGRESSMEN ROSE AND LANCASTER BOTH PROVIDE VALUABLE SERVICE TO THEIR RESPECTIVE DISTRICTS AND TO THIS COMMITTEE. THE GRANGE IS PROUD TO PUBLICALLY SAY "THANK YOU" TO BOTH CONGRESSMAN ROSE AND LANCASTER FOR A JOB WELL DONE!

THE RURAL AREAS OF OUR NATION HAVE ABOUT 25% OF OUR PEOPLE WITH ONLY ABOUT 9% OF THE RURAL POPULATION ACTIVELY ENGAGED IN FARM PRODUCTION. AS AN ORGANIZATION, THE GRANGE RECOGNIZES THE DIVERSE MAKE-UP OF OUR RURAL AREAS. WE REPRESENT THAT DIVERSITY. OUR POLICY IS HAMMERED OUT BETWEEN FARMER AND NON FARMER MMEMBERS WHO RECOGNIZE THE VALUE AND CRUCIAL IMPORTANCE OF AGRICULTURE AND WHO RECOGNIZE THE IMPORTANCE OF WORKING WITH THE NON FARM POPULATION. THE CONSTITUTENTS OF THE GRANGE ARE THE PEOPLE OF RURAL AMERICA.

AS YOU CONTINUE YOUR STUDY OF THE NEEDS OF A NEW FARM BILL, I KNOW THERE IS STRONG SUPPORT FOR ONLY MAKING MINOR ADJUSTMENTS. THE GRANGE SUPPORTS MAKING ONLY NECESSARY CHANGES, HOWEVER, OVER THE NEXT 5 YEARS, THE PERIOD OF THE FARM LEGISLATION YOU ARE IN THE PROCESS OF WRITING, WE WILL CONTINUE TO SEE MANY RAPID AND DRAMATIC CHANGES.

A WHOLE NEW ARSENAL OF TOOLS WILL BECOME AVAILABLE TO AMERICAN FARMERS, ALREADY THE ENVY OF THE WORLD.

THE EUROPEAN ECONOMIC COMMUNITY WILL PUT PRESSURE ON OUR EXPORT EFFORTS, SO VITAL TO OUR TOTAL ECONOMY.

ONCE STARVING NATIONS WILL BECOME EXPORTERS, AND THEY WILL THUS BECOME CUSTOMERS AND COMPETETORS.

THE LEGISLATION THAT YOU WRITE MUST BE DIRECTED SO THAT THE CONTINUED STRENGTH OF AMERICAN AGRICULTURE IS ASSURED, FOR THE GOOD OF ALL.

THE STRENGTH OF OUR AGRICULTURE HAS COME FROM THE DIVERSITY AND FREEDOM ENJOYED BY OUR FARMERS. MANY ECONOMIST WOULD SAY TO USE THE MOST PRODUCTIVE LANDS AND DESIGN PROGRAMS FOR THE LARGE FARMS, WHERE THE MAJORITY OF FARM COMMODITIES ARE ALREADY PRODUCED. CENTRALIZATION OF OUR AGRICULTURAL PRODUCTION IS NOT THE ANSWER TO THE NEEDS OF THE CONSUMER NOR THE GENERAL WELL BEING OF OUR NATION.

BEST AVAILABLE COPY

THE GRANGE CONSIDERS THE SMALL TO MEDIUM FARMING OPERATION AS THE BACKBONE OF AMERICAN AGRICULTURE. THESE OPERATIONS HAVE SUFFERED THE MOST OVER THE PAST DECADE AND THUS A LARGER PERCENT HAVE GONE OUT OF BUSINESS (THE NUMBER OF FARMS WITH SALES OF LESS THAN $200,000.00 PER YEAR HAVE DECLINED DRAMATICALLY SINCE 1982 WHEN THEY ACCOUNTED FOR 95% OF ALL FARMS, TODAY CLOSER TO 85%). UNFORTUNATELY, THESE REMAINING OPERATIONS WILL FIND IT MORE DIFFICULT TO COMPETE IN THE FUTURE, UNLESS SPECIAL ATTENTION IS GIVEN TO THEIR NEEDS.

THE CONTINUED LOSS OF THE SMALL AND MEDIUM SIZED FARMING OPERATIONS WILL WEAKEN THE FUTURE STABILITY AND RELIABILITY OF AGRICULTURE, AND INCREASE THE SOCIAL AND ECONOMIC PROBLEMS FOR OUR URBAN AREAS. YOUR BILL MUST PROVIDE SUPPORT FOR THE SMALL TO MEDIUM SIZED OPERATION.

TO MEET THE NEEDS OF THE FUTURE, THE GRANGE FEELS THE NEW FARM BILL SHOULD:
RECOGNIZE REGIONAL DIFFERENCES IN PRODUCTION METHODS, SOILS, COST AND TRADITIONAL FARMING METHODS;
BE FLEXIBLE, TO MEET CHANGING MARKET AND TECHNOLOGY NEEDS,
BE ABLE TO RESPOND QUICKLY;
INCLUDE STRONG RURAL REDEVELOPMENT EMPHASIS;
ADDRESS INFRASTRUCTURE NEEDS OF RURAL AREAS;
ASSURE THAT AGI RESEARCH IS SHARED THROUGHOUT THE AGRICULTURAL COMMUNITY;
ADDRESS THE RESEARCH AND EXTENSION SYSTEM TO PREPARE THE FARMERS OF TOMORROW TO USE THE NEW TECHNOLOGY;
CONTINUE EFFORTS TO OPEN FOREIGN MARKETS
INCLUDE PROVISIONS TO PROTECT THE FARMER AGAINST NON AGRICULTURAL RISK;
SUPPORT BUSINESS AND LEADERSHIP TRAINING THROUGH THE EXTENSION PROGRAM.

THE NATIONAL GRANGE STAFF HAS SPOKEN TO OUR PROPOSAL SUPPORTING THE THE MARKET LOAN CONCEPT. THIS PROGRAM WOULD TARGET BENEFITS TO THE FARMERS THAT NEED THEM TO COMPETE AND WOULD HAVE CROP LOAN REPAYMENTS BASED ON THE LOWER OF THE ACTUAL LOAN OR WORLD PRICES OF THE COMMODITY.

OF ALL THE AREAS OF INTEREST TO THE GRANGE, CERTAINLY, ENVIRONMENTAL SECTIONS OF THE 90 FARM BILL DEMAND OUR INTEREST AND YOUR ATTENTION. THE GRANGE AND FARMERS HAVE A LONG HISTORY OF ENVIRONMENTAL CONCERN. REGARDLESS OF HOW THE FARMING COMMUNITY MAY FEEL, THE ENVIRONMENTAL INTEREST GROUPS WILL BE HEARD AND CONSIDERED IN YOUR WRITING OF THE NEW LEGISLATION.

FARMERS MUST WORK WITH ENVIRONMENTALIST. THERE CONCERNS ARE REAL. THEY HAVE CAPTURED THE INTEREST AND EMOTION OF THE PUBLIC. FARMERS MUST SHOW THE VALUE, NECESSITY AND SAFE RECORD OF AGRICULTURAL INSECTICIDES, HERBICIDES, FERTILIZERS, AND MODERN FARMING PRACTICES OF ANIMAL HUSBANDRY. IF WE LOSE THESE TOOLS AND PRACTICES, AMERICAN AGRICULTURAL PRODUCTION WILL REGRESS AND THE COST OF PRODUCTION WOULD INCREASE DRAMATICALLY. I DO NOT BELIEVE WE COULD MEET THE NEEDS OF THE AMERICAN CONSUMER, MUCH LESS PLAY A SIGNIFICANT ROLE IN HELPING FEED THE WORLD IF WE CAN NOT CONTINUE WITH OUR MODERN PRACTICES.

THROUGH THE USE OF AGRICULTURAL CHEMICALS, THE FARMER HAS CUT BACK ON THE LAND NEEDED TO GROW THE FOOD AND FIBER WE DEMAND. THIS CUTTING BACK ON THE USE OF LAND HAS ALLOWED THE FARMER TO TAKE OUT OF PRODUCTION HIGHLY ERODIBLE LANDS AND PROTECT THE IMPORTANT WET LANDS. THE 1990 FARM BILL MUST PROTECT THE BROAD INTEREST OF THE PEOPLE AND THE FARM COMMUNITY MUST DEMONSTRATE THE NECESSITY OF IMPROVING FARMING TECHNIQUES.

THE GRANGE IS PREPARED TO HELP AGRICULTURE SHOW THE PUBLIC THEY WE ARE GOOD STEWARDS. WE CAN DO THIS BY HELPING RECOGNIZE PROBLEMS AND ADDRESSING THEM.

THE GRANGE PLEDGES TO YOU THAT WE WILL HELP IN ANY WAY POSSIBLE TO WORK WITH YOU. THE GRANGE WILL HELP THE AG COMMUNITY BECOME PRO-ACTIVE, NOT REACTING TO ADVERSE PUBLICITY OR CHARGES BUT LOOKING FOR PROBLEMS AND SOLUTIONS.

AS YOU GO ABOUT YOUR DEBATES, KEEP THESE IMPORTANT THOUGHTS IN MIND:

REGIONAL DIFFERENCES AND NEEDS
FLEXIBLE PROGRAMS TO MEET A CHANGING MARKET,
RESPONSIVE TO NEW PRODUCTS
MARKET ORIENTED WITH A FAIR RETURN TO THE PRODUCER
STRENGTHENED FCIC WITH LESS RELIANCE ON DISASTER
PAYMENTS
EXPANDED MARKETS THROUGH CONTINUED EFFORTS.

THE AGRICULTURAL COMMUNITY NEEDS TO WORK MORE CLOSELY. TO ALL [illegible] BY COMING TOGETHER WITH PROGRAMS WE CAN APPLY. IN WE SHOULD SOLVE OUR DIFFERENCES THROUGH COALITIONS, WORKING FOR THE GREATEST GOOD FOR AGRICULTURE. THE PROBLEMS WE FACE CAN BE MADE LESS BURDENSOME BY OUR INCREASED COOPERATION. THE GRANGE PLEDGES TO DO ITS PART IN BRINGING UNITY TO THE DISCUSSIONS TO FOLLOW ON THIS IMPORTANT LEGISLATION.

NORTH CAROLINA
ASSOCIATION OF ELECTRIC COOPERATIVES, INC.
3400 Sumner Boulevard, P.O. Box 27306, Raleigh, North Carolina 27611-7306 919/872-0800

JAMES LEE BURNEY
NORTH CAROLINA ASSOCIATION OF ELECTRIC COOPERATIVES, INC.
BEFORE THE
COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES

JANUARY 29, 1990

Mr. Chairman and Members of the Committee, my name is James Lee Burney. I am Director of Government Relations for the North Carolina Association of Electric Co-ops. In North Carolina, 28 rural electric systems provide electric service to over 550,000 consumers in 95 of the state's counties.

I appreciate the opportunity to address the committee on a matter that is very important to rural electric systems and their consumer owners, and that is the economic prosperity of rural America.

The 1990 Farm Bill with be pivotal in determining rural America's future. Clearly policies of the past have developed situations that are of concern to all of us.

Large farms with annual sales of more than $500,000 are increasing in number. They constitute only 1.2 percent of the total number of farms, but now annually produce one half the cattle and calves in the country, one half the poultry, 70 percent of the vegetables, one half the fruit and 20 percent of the hogs, and this is rapidly increasing.

These large farms are most prevalent in the Pacific and Central regions of the U.S. They are driving smaller enterprises out of business, requiring the smaller farms to depend on grain farming and nonfarm jobs to stay in business.

At the end of 1987, there were 1.5 million farms selling less than $40,000 of farm commodities per year, netting almost nothing on the farm operation, but earning about $23,000 per family, mostly from nonfarm jobs and salaries.

These numbers underscore very clearly the importance of rural economic development. Agriculture is and will continue to be the primary engine that drives the rural economy, but, in order to maintain stability, we must diversify that economy. We must provide jobs and opportunity, not only for the thousands of young people who are forced to leave their communities in search of employment, but also for those small, family farmers who need nonfarm income to survive.

We need this diversification for other rural enterprises to maintain their financial viability, and that brings me to something that is near and dear to rural electric systems. More than 250 of our systems are losing consumers. And we are already confronted with a consumer mix that makes it more expensive to provide electricity in

rural areas. Typically, a rural electric system in this country has only about 5 consumers per mile of line, and typically, two-thirds of these consumers are residential. Rural electric systems simply don´t have the middle sized and large consumers that can use a system´s total capacity. Yet, the system must maintain that capacity to meet the "peak" demands of the total system.

That´s an expensive way to provide electricity, and that´s reflected in our rates, which, nationally, on average, are 15 percent higher than those of the neighboring utilities.

That´s why rural economic development is and will remain one of the top priorities of rural electric systems.

While we firmly believe that rural economic development must be locally motivated, we also firmly believe that there is a partnership role for the federal government.

This Committee has been supportive of measures which allow rural electric systems to take a leadership role in rural economic development, and for that, we are deeply grateful.

The rural electrification program is a shining example of what an effective partnership between the government and the private sector can accomplish. Rural electric co-ops are locally owned and operated, and the government´s role is to facilitate their operation through the provision of affordable capital and technical assistance. As the Congress begins its consideration of rural development legislation, I would urge that it be modeled after this highly successful partnership arrangement.

I would also be hopeful that as the Committee addresses U.S. farm policy, you will put the interest of the American farmer first. This has a direct impact on the economy of our rural areas.

A strong domestic farm economy is the foundation for rural development and rural economic stability.

Rural America is just beginning to recover from nearly a decade of farm depression, and the legislation you are currently involved in will certainly be pivotal in assuring that continued recover.

I would be happy to answer any questions members of the Committee may have.

I thank you for the opportunity to appear before the Committee.

TESTIMONY PRESENTED BY POLLY MARSH, PRESIDENT

SOUTH CAROLINA WIFE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE,

MY NAME IS POLLY MARSH, PRESIDENT OF SOUTH CAROLINA WIFE, WOMEN INVOLVED IN FARM ECONOMICS. ON BEHALF OF WIFE I'D LIKE TO THANK YOU FOR THE OPPORTUNITY TO SHARE SOME THOUGHTS WITH YOU ON THE UPCOMING 1990 FARM LEGISLATION. I APPRECIATE THE TIME AND EFFORT ON YOUR PART TO COME TO NORTH CAROLINA FOR THIS HEARING.

MY HOME IS IN CAMDEN, SOUTH CAROLINA. I GREW UP IN THE CITY, AND 38 YEARS AGO MET AND MARRIED A YOUNG FARMER. TODAY WE HAVE 3 SONS WHO ARE SOUTH CAROLINA PRODUCERS. WE GROW THE TRADITIONAL ROW CROPS OF THE SOUTH, CORN, COTTON, WHEAT, SOYBEANS, AND PEANUTS, AS WELL AS 80 ACRES OF FRUITS AND VEGETABLES. I PARTICIPATE IN THE OPERATION OF THE FARM ON A DAILY BASIS, AND SHARE IN THE DECISION MAKING PROCESS. I CONDUCT FARM TOURS FOR GROUPS, GIVING TODAY'S CHILDREN A FIRST HAND LOOK AT THE SOURCE OF THEIR FOOD SUPPLY.

THE 1985 FOOD SECURITY ACT HAD THREE MAJOR GOALS, TO STABILIZE FARM INCOME, TO REDUCE SUBSIDIES, AND TO REGAIN WORLD MARKET SHARE. THESE GOALS HAVE BEEN MET TO SOME DEGREE.

TODAY THINGS HAVE CHANGED, AND THE NEEDS ARE DIFFERENT. THE 1990 FARM LEGISLATION WILL COVER A MUCH BROADER SPECTRUM THAN PRECEEDING YEARS. WIFE HAS POLICY TO COVER MANY OF THE ISSUES. ATTACHED IS A COPY OF WIFE POLICY STATEMENT. TODAY I WOULD LIKE TO ADDRESS THREE SPECIFIC AREAS OF CONCERN.

1. ESTABLISHMENT OF PERSON STATUS FOR FARM WIVES
2. FOOD SAFETY AND GROUND WATER
3. PROFITABILITY FOR THE PRODUCER

WE ARE APPROACHING THE 21ST CENTURY, AND THERE ARE STILL POCKETS OF DISCRIMINATION AGAINST WOMEN. IN 1987 CONGRESS ADOPTED A PROVISION AS PART OF THE BUDGET RECONCILIATION BILL WHICH CORRECTED A PORTION OF THE REGULATION. A FARM WIFE WAS GIVEN STATUS POSITION IF SHE ACQUIRED HER FARM PROPERTY PRIOR TO MARRIAGE. NOT YET ADDRESSED IS THE FARM WIFE WHO ACQUIRES HER PROPERTY AFTER MARRIAGE,NOR THE WIFE THAT ACTIVELY PARTICIPATES IN THE FARM BUSINESS. THIS DISCRIMINATION IS REMINESCIENT OF THE RIGHT OF WOMEN TO VOTE OR TO OWN PROPERTY.

CURRENTLY, A FARM WIFE WHO IS MARRIED AND INHERITS PROPERTY, OR A WIDOW OWNING FARM PROPERTY CHOOSING TO MARRY ANOTHER FARMER, ARE REQUIRED BY USDA REGULATIONS TO COMINGLE HER PROPERTY WITH THAT OF HER HUSBAND. THIS RULING CROSSES COUNTY AND STATE LINES, REGARDLESS OF RESIDENCE.

I'D LIKE TO GIVE YOU A COUPLE OF EXAMPLES. A WIFE MEMBER AND HER SISTER WILL INHERIT FARM PROPERTY FROM THEIR PARENTS. THE WIFE MEMBER IS MARRIED TO A FARMER, THE SISTER IS NOT. ON RECEIVING OWNERSHIP, THE WIFE MEMBER'S PROPERTY WILL BE COMINGLED WITH THAT OF HER HUSBAND, REGARDLESS OF HER WISHES. THE SISTER'S PROPERTY WILL BE ELIGIBLE FOR PROGRAM BENEFITS.

MY HUSBAND AND SON FORMED A FARMING PARTNERSHIP. EACH OF THEM QUALIFY FOR PROGRAM BENEFITS. MY OTHER TWO SONS FORMED A FARMING PARTNERSHIP, BOTH QUALIFYING FOR PROGRAM BENEFITS. IF I BECAME A WIDOW, AND CHOSE TO FARM WITH MY SON, EACH OF US WOULD BE ELIGIBLE FOR PROGRAM BENEFITS. EVEN THOUGH I WORK FULL TIME ON THE FARM, AND AM A LAND OWNER, I AM CONSIDERED AS ONE WITH MY HUSBAND.

WHILE PROGRAM BENEFITS ARE IMPORTANT, WIFE'S MAIN CONCERN IS RECOGNITION OF THE FARM WIFE AS AN INDIVIDUAL PERSON. WE DO NOT EXPECT THAT ALL FARM WIVES BE ELIGIBLE FOR BENEFITS, BUT THAT ANY FARM WIFE THAT MEETS THE CRITERIA ESTABLISHED FOR OTHER INDIVIDUALS BE GIVEN PERSON STATUS. WE ASK THAT A WIFE WHO INHERITS PROPERTY, OR A WIDOW WHO OWNS FARM PROPERTY AND CHOOSES TO MARRY ANOTHER FARMER BE ALLOWED TO KEEP IT AS HER SOLE AND SEPARATE PROPERTY.WE SOLICIT YOUR SUPPORT IN CORRECTING THIS DISCRIMINATION BY INCLUDING IN THE 1990 FARM BILL.

WIFE REALIZES THAT SOME LEGISLATION TO BE CONSIDERED WILL DEAL WITH ENVIRONMENTAL CONCERNS. AS AN ORGANIZATION AND AS INDIVIDUAL PRODUCERS OF FOOD AND FIBER, WE TOO ARE CONCERNED WITH THESE ISSUES. AS PRODUCERS, WE TILL THE SOIL FOR OUR LIVILHOOD. THIS GIVES US A DIFFERENT PERSPECTIVE THAN CONSUMER AND ENVIRONMENTAL GROUPS. BEING DEPENDANT ON THE ENVIRONMENT, IT IS TO OUR ADVANTAGE TO PROTECT THAT ENVIRONMENT. WE ARE MOTHERS AND GRANDMOTHERS WHO WOULD NOT SUGGEST OR SUPPORT ANYTHING THAT WOULD JEPORDIZE THE HEALTH, WELLBEING, OR FUTURE OF OUR CHILDREN AND GRANDCHILDREN. WE REQUEST THAT LEGISLATION PERTAINING TO FOOD SAFETY AND GROUNDWATER BE BASED ON FACT, NOT EMOTION.,

THERE HAS BEEN MUCH DISCUSSION CONCERNING THE IMPROVED FARM INCOME OVER THE LAST FEW YEARS. THIS IS SOMEWHAT MISLEADING. IN MANY CASES THIS INCREASE IN INCOME HAS NOT PROVIDED AN INCREASE IN QUALITY OF LIFE FOR FARM FAMILIES,BUT HAS GONE TO REDUCE MASSIVE INDEBTEDNESS ACCUMULATED SINCE 1977. THE FARM CRISES IS NOT OVER, BUT HAS BECOME AN ONGOING SITUATION. THE NEW FARM BILL LEGISLATION NEED TO PROVIDE PROFITABILITY FOR PRODUCERS.

THE STRENGTH OF THIS NATION IS BASED ON A PRODUCTIVE AGRICULTURE. IF THE FAMILY FARM CEASES TO EXIST, THE AMERICAN WAY OF LIFE AS WE HAVE KNOWN IT MAY WELL CEASE TO EXIST.

(Attachments follow:)

STATEMENT OF PURPOSE

WOMEN INVOLVED in FARM ECONOMICS is a grassroots organization committed to improving profitability in production agriculture through educational, legislative, communicative and cooperative efforts.

WIFE BELIEVES THAT

- A strong, secure economy in the United States is directly related to a strong, healthy economy in agriculture.
- American agriculture is our nations most vital renewable industry.
- Agriculture is the largest employer, the largest consumer and the largest industry in our country.
- Improving profitability on farms and ranches is essential for rural and urban populations to improve their standard of living.

RED is WIFE's official color. WIFE members wear the color red when possible while participating in public WIFE activities to emphasize the fact that farmers and ranchers often have to operate in the "red".

To achieve the objectives of WIFE, members are to:

- **EDUCATE** themselves to be factual when communicating on agricultural issues. They are to regard this responsibility with the utmost integrity and professionalism.

- **WORK** with the Congressional and Executive branches of government to promote stability in the agricultural industry; testify at state and national hearings regarding topics that directly affect the agricultural community.

- **COMMUNICATE** with elected officials and others about issues concerning agriculture; write letters, make telephone calls, provide media interviews and present agricultural programs for school, civic and consumer groups.

- **COOPERATE** with other agriculture organizations and commodity groups in an effort to speak with a unified voice and also work together with non-agricultural groups toward better relationships and understanding of mutual problems.

- **STRIVE** to develop strategies and policies that achieve increased profitability for the American agricultural producer.

FARM PROGRAM COMMODITIES

1. WIFE requests Conservation Reserve Program payments be in cash rather than Commodity Certificates.
2. WIFE opposes any imported grain from being included or participating in any U.S. government marketing and/or agricultural programs.
3. WIFE urges that as long as the Commodity Credit Corporation has a commodity in storage, that commodity should not be imported; if imported that commodity be subject to the same advertising assessments, checkoffs, FDA requirements, and sanitary codes as domestic products.
4. WIFE supports an escalator clause be part of Farm Legislation so that loan and target prices go up in direct proportion to the cost of production.
5. WIFE supports legislation that equalizes storage rates paid on CCC owned grain whether it be stored by farmers or commercial storage operators.
6. WIFE encourages U.S. grain standards be set to equal or surpass the standards of our worldwide competitors.
7. WIFE requests the USDA report accurately crops held by CCC and that all crops on hand be referred to as INVENTORIES rather than surpluses.

CORN

WIFE supports maintaining an adequate inventory through a Farmer Owned Reserve.

WIFE supports new and continued research on corn based products and in finding more efficient corn refining techinques.

WIFE supports legislation that encourages disposable plastic products be made degradable by using corn and corn based products.

WIFE promotes the use of ethanol made from corn and supports legislation to extend the federal exemption for ethanol.

WIFE challenges the USDA to strengthen the inspection of all commercially stored grains.

COTTON

WIFE favors expanding the current law to include the point of origin of the raw cotton spun into all imported apparel and textiles.

WIFE supports the cotton impact clause to be triggered on the carryover inventory instead of the price.

COTTON (continued)

WIFE favors a long range recovery system for our commodities at the marketplace that allows a profit to the producer.

WIFE encourages the use and promotion of cotton, wool and natural blend fibers.

DAIRY

WIFE recommends legislation requiring that: zero-discharge provisions be repealed; establishes a quota on casein; there be a ban on BGH until more long term research is done; the CCC inventory be based on total solids; dairy products purchased through the CCC for use in social welfare programs not be counted as CCC surplus; coupons be given to allow recipients to purchase fresh dairy products; there be constant refrigeration of school milk; provides larger containers of milk for Junior and Senior High Schools; farmers be paid on the basis of non-fat solids; requires food products advertised with pictures of dairy cows contain dairy products; imitation dairy products be displayed separately in the dairy case and be fairly labeled.

PEANUTS

WIFE endorses the present peanut program and recommends it be maintained as a program that works for producers and minimizes government costs.

WIFE supports a quota pound system that balances production with domestic consumption at an equitable profit level for all segments of the industry.

The support price for quota peanuts is based on cost of productions; therefore, WIFE urges the USDA to use the same formula for determining cost of production during the length of the program and statistics from a dependable source or research.

Peanuts not contracted with shellers must go in the loan at a low support price. Additional peanuts are for export and their price is based on world market price which is below the U.S. cost of production. Quota peanuts and domestic markets are far more valuable to producers. We urge that promotion and research directed at domestic markets be given priority.

Communication and a good working relationship among the various segments of the peanut industry is vital to all and we want to continue to improve that relationship.

RICE

WIFE supports the rice program as long as there are surplus supplies and encourages the continuation of PL480. WIFE also supports striving to obtain competitive world markets.

SOYBEANS

The most immediate need of soybean producers is to gain some type of income protection for soybeans. WIFE feels this can be accomplished by establishing a Marketing Loan Program that would eliminate stock build-up and help keep market prices competitive for U.S. soybean farmers. U.S. producers need to be able to continue producing rather than giving up markets to other countries.

WIFE supports the development of a soybean logo to identify products containing soyoil so the consumer may readily identify soy products.

WIFE supports the long term goal of soybean producers to obtain labeling on packages so the consumer will clearly understand identifications of the various oils used in products.

WIFE feels that these are workable, attainable goals and can be achieved by personal contacts, letter writing and publicity.

SUGAR

WIFE supports the sugar program as it is now written. Congress directed that the sugar program be administered without cost to the U.S. Treasury. This is accomplished by limiting imports (through a system of fees, duties and quotas) to the quantity required to balance domestic supply and demand. The program sets the domestic support price at 18 cents a pound for raw sugar.

TOBACCO

WIFE recommends that the current tobacco program be continued as the program is self-supporting, and government grading be uniform throughout the tobacco marketing area.

WIFE opposes increases in the various federal excise taxes to reduce the federal deficit.

WHEAT

WIFE endorses the spirit of the current Food Security Act in its objective of maintaining an economical and abundant food supply for the American people while providing an adequate income for the producer.

WIFE supports a continued program to ensure producer stability while developing favorable marketing conditions. The target price should be frozen at the 1989 level for 1990 crop year. Deficiency payments should be based on a 6 month average making possible a final payment in December. A 30% advanced deficiency payment should be paid at the time of sign-up. WIFE prefers 100 % generic certificates. Commodity specific certificates should not exceed 5 % of certificates issued. WIFE opposes a triggered acreage reduction program for wheat.

WIFE advocates a more accurate system for grading grain. A better system for measuring protein levels should be developed.

The United States should vigorously pursue export programs authorized under the Food Security Act of 1985. The Export Enhancement Program should be maintained at current levels.

NON-PROGRAM COMMODITIES

DRY EDIBLE BEANS

Dry edible beans are not included in the present farm program; therefore referred to as a "non-program crop".

WIFE opposes any program that places a program commodity in competition against a non-program commodity and believes that an agricultural impact statement should be made before a new program is instituted.

WIFE encourages the awareness and monitoring of legislation that could adversely affect dry edible beans and other non-program crops.

LIVESTOCK

WIFE believes antibiotics and drugs in feed should be proven harmful before banning.

WIFE supports "1080" control of predators for disease control.

WIFE supports humane animal treatment but opposes legislation granting human rights to animals and urges educational material be screened and public monies not be used for teaching Animal Rights.

WIFE opposes further patenting of animals.

LIVESTOCK (continued)

WIFE supports legislation that declares irradiation of food as a process not as an additive and supports efforts authorizing additional research and development of the process.

BEEF

WIFE encourages the same strict standards on imported beef as in the U.S. in regard to pesticide and drug use.

WIFE supports legislation that would require meats to be labeled throughout the entire food distribution process as to point of origin.

WIFE believes that any dairy livestock herd dispersal should include orderly marketing through a monthly quota system.

PORK

WIFE supports a National Swine Identification Plan.

WIFE urges the pork board to continue its efforts in promotion of pork.

No Small Business Administration (SBA) loan program should give preferential treatment of large scale absentee owners so as to place family livestock operators at an unfair disadvantage.

SHEEP

WIFE opposes any legislation that would allow for the introduction of the gray wolf or any other wolf species into any federal lands, including Yellowstone Park and surrounding areas.

ISSUES OF CONCERN

EDUCATION

WIFE supports Vocational Agriculture Education and its continued funding.

WIFE supports efforts of landgrant colleges and universities to focus on marketing to help solve economic porblems of farms and rural America.

WIFE supports the change in the regulations for eligibility of student loans taking into account only the net income and liquid assets of the parents. Gross income and fixed assets are falsely interpreted in regard to the students need for financial help.

WIFE supports English as the official language of the United States.

WIFE opposes the use of public monies for the teaching of "animal rights" in government funded materials on television programs.

WIFE supports the "Agriculture in the Classroom" project.

ENERGY

WIFE renews its dedication to continue the ethanol awareness campaign.

WIFE shall inform the American public that the domestic production and use of ethanol could be one major solution to ease the foreign trade deficit, air pollution, world hunger, U.S. unemployment, and Rural Development.

WIFE shall support legislation that encourages greater use and production of alternative energies from agricultural commodities.

FARM CREDIT

WIFE strongly urges the establishment of an interest rate policy through which all agricultural lending agencies will make available to all borrowers the same minimum interest rates that are in direct relationship to the rates set by the Federal Reserve Banking System and that these rates must be made available until commodity prices reach a profitable level and stabilization occurs.

WIFE continues to support a policy that allows the landowner who has lost his land through foreclosure the right of first refusal to rent or purchase the property back.

WIFE calls for a further Congressional Investigation (not audit) of FmHA and FCS.

HAZARDOUS & TOXIC WASTE

WIFE strongly opposes building Hazardous and/or Nuclear Waste repository sites in agricultural and/or water resource areas. Public awareness is greatly needed to understand the issue. Hazardous and Toxic Wastes are dealt with at city, state, and national levels. Any clean-up costs are to be covered by a Superfund which is created and funded by Congress. Landfills, industrial liquid wastes and toxic chemicals are examples of Hazardous and Toxic Wastes. It is a separate issue from the High Level Nuclear Waste.

LABOR

WIFE opposes legislation requiring farmers to provide housing for migratory or seasonal labor.

NATURAL RESOURCES

WIFE will strive to encourage the use of proven data as opposed to human emotions in regulations that govern our industry.

WIFE supports education procedures that will decrease misuse of chemicals by anyone buying and using chemicals.

WIFE's definition of sustainable agriculture is an agriculture system that will allow profitability and competitiveness while sustaining the environment (land, water, air), its people and its communities.

WIFE recognizes the goals of a clean water act and supports reasonable means to prevent degradation of surface and ground water.

WIFE opposes unfair regulations that hold agriculture liable for damages which occur to air, water, soil, or animals if all labels were properly observed.

ENDANGERED SPECIES

WIFE urges the EPA to delay implementation of the Endangered Species Act until such time that facts are correct, maps accurate, and the requirements of the Endangered Species Act are being met without unnecessary and overbearing adverse impact on American agriculture. A spirit of understanding and support among the farm pesticide, commodity and public interest groups must be created.

TAXES

WIFE supports legislation that would allow self-employed people to deduct one-half of their health insurance premiums as a business expense.

WIFE requests the reinstatement of the Capital Gains deduction, Investment Tax Credit and Income Averaging for farmers and ranchers.

WIFE supports a tax reform that would allow sales of property between relatives at an interest rate to be determined by the parties involved.

WIFE supports a change in the tax law to make an installment sale of personal property taxed in the year the installment payments are received.

WIFE requests that people who must pay extra tribal taxes on reservations receive a credit for an amount based on their federal, state, and/or county returns and/or tax assessments.

WIFE opposes increases in the various federal excise taxes to reduce the federal deficit.

TRADE

WIFE requests Congress and the Administration to address the balance of trade deficit and the loss of jobs created by imports for all U.S. industries.

WIFE requests Congress and the Administration take positive steps to promote the sale of U.S. agricultural products including value added products in world trade.

WIFE supports legislation that restricts or limits U.S. contribution to financial institutions that make loans to foreign countries for production of agricultural commodities that are in surplus in the U.S.

WIFE opposes further extension of agricultural aid to those third-world countries when that aid is used to develop their export markets in direct competition with American farmers.

WIFE opposes dumping of imports in direct competition with our domestic producers simply to drive prices down.

TRANSPORTATION

WIFE maintains that most agricultural producers pay the transportation costs on all it produces and on all it uses, without being able to pass those costs on. WIFE believes that total deregulation benefits only those areas where there is adequate inter-and intra-modal competition.

TRANSPORTATION (continued)

WIFE believes that all areas should have access to efficient, safe, and reasonably priced freight and passenger transportation.

WIFE is deeply concerned that increased Cargo Preference requirements are adversely affecting our export markets.

LEGISLATIVE

FARM PROGRAMS

WIFE supports participation in the Conservation Reserve Program and continued compliance by farmers and landlords for the life of their contracts.

WIFE supports the maximum set-aside allowed by law according to the levels of carryover stocks.

WIFE supports cross compliance provisions for participating commodities and opposes any program which would place a program commodity in competition against a non-program commodity.

WIFE opposes giving lenders the ability to place inventoried land into the Conservation Reserve Program, and in the event lenders are allowed to do so, WIFE opposes any removal of payment limitation or relaxing of guidelines.

Grazing fee formulas on public lands should be set, taking into account the cost of production and the market price.

All farm programs should include disaster payment provisions.

CCC warehouse supplies and fresh farm products should be substituted for food stamps and food distribution programs when possible.

Short-term FmHA and SBA emergency and disaster loans should be converted to long-term loans.

WIFE supports conservation and environmental programs which reflect agricultures on going concern for the continued productivity of the land and nutritious food for the consumer.

WIFE supports Long-term Agricultural Policy based on management of supplies that allows adequate inventories to meet domestic and export needs and that is on bushel allotments not base acres.

PERSON STATUS

A wife is a separate person and should have the same rights as any other person to qualify for a separate payment limitation. WIFE will continue its pursuit of equity, including legislation, related to "person status" for eligible farm women under farm program payments.

SET-ASIDE ACRES

A consistent and constant NCA is necessary to implement an efficient, fair and realistic set-aside in a bushel allotment program. Once established, this NCA should not be decreased.

Each farmer should be able to divide his NCA into base acreage that best suits his land and farming practices.

Permanent grass and trees may qualify as set-aside and should not result in loss of NCA. Grass acres shall not be grazed, hayed or harvested.

In order to diversify, a farmer should be able to raise non-program crops without losing NCA.

STANDING POLICY

AGRICULTURAL EFFICIENCY

Most measures of determining agricultural efficiency are based on profit and loss only and WIFE believes that family operated farms are structured in such a way as to concentrate on practices which will insure for the long-term productivity of the land and that all determining measures such as soil stewardship, water management, environmental concerns, grain quality, tax base and rural stability shall be factored in when evaluating agricultural efficiency.

CCC LOAN PROGRAM

WIFE supports legislation which would establish a revolving fund in the USDA with which to implement the CCC loan programs; hereby, taking the funding of the CCC loan programs out of the supplemental budget process.

WIFE requests that a provision be implemented to compensate producers (such as paying interest) when CCC payments are late.

EMBARGOES

WIFE opposes any embargo of agricultural products for political purposes except in the case of a national emergency. In such a case, we request that all products and technology be embargoed and steps taken to insure that American products do not reach the offending nation through a third party.

Compensation shall be provided through the State or Defense Department budgets to all U.S. agricultural producers in cases when commodities are used as weapons in setting foreign policy; furthermore, we are opposed to any artificial embargo.

MEDICAL

WIFE is highly concerned about the high malpractice premiums the medical field must carry. These premiums are rapidly causing reduced service, especially obstetrical care, to our rural areas. WIFE urges other organizations, including health care organizations, to promote legislation to insure obstetrical care be provided in rural America and legislators and insurance companies to revise claim limits and costs of malpractice insurance.

PARITY

Parity is the ratio of what producers sell in relationship to the goods and services they must buy.

WIFE supports 100% of parity for all agricultural commodities, to be received from the market place, not from government payments.

REA PROGRAM

WIFE supports the REA programs and urges Congress to continue its suppot of this important program.

UNDERSECRETARY FOR AGRICULTURAL AFFAIRS

An Undersecretary for Agricultural Affairs should be appointed in the State Department to be an advocate for agriculture and a watchdog for fair trade practices.

USDA

WIFE believes that the USDA should return its empahsis to the purpose of representing American producers rather than consumers.

WIFE Women Involved in Farm Economics

BACKGROUNDER
WIFE VS USDA LAWSUIT

June 7, 1987

WIFE brings suit against the USDA and ASCS regulation Section 7. C.F. R. 795.11 which states a husband and wife will be considered one person in determining crop payment limitations. The Family Farm Defense Fund represents WIFE. WIFE argues a farm wife should be treated the same as any other adult farm participant and be allowed to apply for separate person status. Marital status should not be a discriminating factor.

November 1987

Several Congressmen try to change the regulation through legislative channels. House Ag Committee included language that would partially eliminate the marriage penalty.

March 31, 1988

JUDGE JOYCE HENS GREEN, UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA FINDS SECTION 7 C. F. R. 795.11 TO BE UNCONSTITUTIONAL UNDER THE FIFTH AMENDMENT AND IN VIOLATION OF THE ADMINISTRATIVE PROCEDURE ACT. USDA has until April 18, 1988 to comply.

Family Farm Defense Fund must dissolve for lack of resources. Covington & Burling, Washington, D.C. law firm agree to represent WIFE. (pro bono basis)

April 18, 1988

Court decision fully effective. USDA has not indicated if they will appeal, but file a motion to alter and amend the decision. USDA motion requests the decision apply to only WIFE members at the time of filing and no woman living inside the Tenth Circuit of Federal Court. (Prior to this lawsuit, the USDA had prevailed in a suit concerning this regulation in the Tenth Circuit of Federal Court-Tenth Circuit includes Colorade, Wyoming, Kansas, New Mexico, Utah and Oklahoma.) USDA has 60 days to appeal decision.

May 25, 1988

Judge Joyce Hens Green de[illegible] motion to amend or alter judgement of March 31. Alic[illegible]arker, President, WIFE, Royal City, WA, states, "While w[illegible]lcome any and all farm wives to join our organization, we feel no American farm wife should be discriminated against on the grounds of marital status, membership in a specific organization or the location of her home.

March 31-June 1, 1988

Reports come to WIFE the USDA is not honoring judgement of the courts.

June 7, 1988
Mitchell F. Dolin, (Covington & Burling, Washington, D.C.) files motion on behalf of WIFE seeking an order for Secretary Richard E. Lyng to show cause why he should not be held in contempt of court for delaying the March 31 ruling.

June 8, 1988
Secretary of Agriculture Richard E. Lyng responds to U.S. District Court order of June 3, 1988 by indicating in a press release that he will transmit compliance orders to the ASCS field offices by June 13, 1988. WIFE will monitor compliance.

USDA appeal court decision

November 19, 1988
Jennifer Divine, Covington & Burling, updates WIFE Annual Convention in Syracuse New York. Oral arguments in the appeal will be heard Feb. 7, 1989 in the U.S. Court of Appeals, District of Columbia Circuit, Washington, D.C. Friends of the Court briefs will be filed on behalf of WIFE by the NOW Legal Defense and Education Fund in New York and the Women's Legal Defense Fund in Washington, D.C.

February 7, 1989
U.S. Court of Appeals, District of Columbia Circuit, Washington, D.C. heard oral arguments.

June 2, 1989
U.S. Court of Appeals for the District of Columbia Circuit, Washington, D.C. rules in favor of USDA. WIFE response to be announced.

JAn 1990. Supreme Court refused to hear appeal.

Statement by Durward F. Bateman before the House Agriculture
Committee in Fayettville, NC

January 29, 1990

Mr. Chairman, first let me thank you and your colleagues of the House Committee on Agriculture for coming to North Carolina and providing this opportunity for us to have some input on the 1990 Farm bill. My name is Durward Bateman. I am Dean of the College of Agriculture and Life Sciences at North Carolina State University.

Today I am representing the National Association of State Universities and Land Grant Colleges and myself. My comments will be directed in support of the provisions of Title XIV of the 1990 farm bill that derive from the National Agricultural Research, Extension and Teaching Policy Act of 1977.

First, let me say that our Land Grant System of higher education, research and extension has been unique among the nation's of the world. Our system is one of partnerships between the Federal Government and the States, and between government and the people. Our network of L~~and~~-Grant institutions is not only involved in providing students with quality education with a focus on the needs of society; but, they provide for a unique system of research and knowledge development, and an extension component that reaches into every county and community of the nation.

You and your committee know the value of the Land-Grant system. It has been the primary catalyst in fostering our scientific agriculture, which in turn has been the mechanism for developing the worlds most efficient means for providing the Nation, and much of the world, its food and fiber supply at an extremely reasonable costs. Today only slightly more than 2.0% of our people are engaged in farming. Yet, we have our most diverse and abundant food supply in our history. Let's not forget that nationally over 20% of all private sector jobs are related to our agricultural and natural resource base. In North Carolina that figure is about 32%.

When you examine the advances made in agriculture during my lifetime they constitute nothing short of miracles. The Federal-State partnership in the form of the Land-Grant system can take a great deal of credit for the progress we have made not only in food and fiber production but in our increased standard of living.

When one examines this Federal-State partnership over the past two decades, it is quite noticeable that the Federal partner has not kept pace with the States in support of the System. This is true for all three functions-teaching, research and extension. As we look to the 1990's and beyond, our Land Grant Institutions and programs have an ever increasing important role to play. Some of the reasons for this include:

1) Our agriculture must compete in a global market place.

2) Other nations are increasing their investments in science and technology related to agriculture at an increasing rate.

3) Future advances in production agriculture will require increasingly sophisticated technologies.

4) The issues of food safety, water quality, environment and sustainable productions systems have to be dealt with in effective ways that will permit us to remain competitive and profitable.

5) Processing, manufacturing and distribution are areas that could profit greatly from more input from the Land-Grant System.

6) There are major needs in rural America related to infrastructure, industrialization, and social change that need more emphasis in Land-Grant programs.

As you Mr. Chairman and your colleagues deal with Title XIV in the 1990 Farm bill, I would urge you to keep in mind the progress of the past, but at the same time focus on the needed changes that will best serve the future of agriculture, rural America and the nation. At the root of our past progress has been a Federal-State partnership in funding and a high degree of local control in terms of meeting local needs. Our Land-Grant institutions have been strong because of a stable funding base. There is much to be said for formula funding. It helps keep programs in place. Also, there is much to be said for grant funding, it can be used to direct efforts at national priorities. I would encourage Congress to use both in a balanced way to help ensure future progress. I would also encourage Congress to invest more in the Land Grant programs and reverse the trend of the past two decades. If we are to meet world competition, deal effectively with matters related to food safety, sustainability of production systems, environmental quality, and rural development more Federal funding will be required.

Based on the advances being made in the sciences and the network of institutions in place, we can be optimistic about the future if Congress is more generous and focused in its partnership with the States in support of the Land Grant System. I encourage you again to maintain and enhance formula funding for research and extension programs, and at the same time focus on grant programs that will accomplish particular national needs. Areas of increased need in the latter area include:

1) Greater support for the National Needs Graduate Fellowships Program.

2) Enhancement of the Competitive Grants Program related to basic sciences that undergird agriculture.

3) Grants to the States for International Trade Development.

4) Increased support for efficacious pest management and biological control programs.

5) Grants to enable better extension educational efforts with elected officials and citizen leaders in rural America.

6) Etc.

We have in place a Land-Grant System that can be an even greater force for progress in the future than it has been in the past. As you deal with Title XIV of the 1990 Farm bill you will have an opportunity to ensure future progress by making the right investments. I urge you and your colleagues to make sure these programs receive the resources to get the needed tasks accomplished.

Thank you. I would be pleased to respond to questions.

TESTIMONY BEFORE THE
HOUSE OF REPRESENTATIVES AGRICULTURE COMMITTEE

Fayetteville, North Carolina
January 29, 1990

My name is Larry W. Tombaugh and I am Dean of the College of Forest Resources at North Carolina State University. I am also serving as President of the National Association of Professional Forestry Schools and Colleges, an organization that represents the 60 schools and colleges of forestry and related natural resources in the United States. It is in this latter capacity that I have the privilege of appearing before you today.

My comments will be restricted to Title XIV of the Farm Bill, that section that has historically dealt with education, research, and extension. We propose that a subtitle be added to Title XIV that will explicitly promote the health, vitality, productivity, and environmental quality of that one-third of the nation's land that is forested. These lands and their associated renewable natural resources have become the focal point of controversy and clashes of values among different segments of the American public -- clashes that are unique to forested environments and that warrant special legislative attention.

The American public is increasingly concerned about the compatibility between the use of forests for commercial purposes and the quality of the environment. The United States pioneered the concept of wilderness preservation, and over 90,000,000 acres have now been officially designated as pristine areas in which commercial activities are forbidden. Urban dwellers, too, are concerned about trees. Urban forestry has become a big business as city governments and residents seek care for the trees that enhance their environment and the value of their parks and property.

At the same time, U.S forests support an industry that adds about $73,000,000,000 to the value of the U.S. economy each year and employs 1,580,000 people. This represents 7.3% of the value added in all manufacturing and 8.5% of all people employed in U.S. manufacturing. Products include essential commodities such as pulp, paper, lumber, plywood, particleboard, furniture, and hundreds of others. Also, forest-based tourism and recreation are the primary local industries for thousands of communities. An average of 550 million visitor days of outdoor recreation use has occurred on federal lands each year throughout the 1980's.

Because forested lands are the source of most of the surface water in the United States, there is a direct relationship between forest management practices and water quality. There is also evidence of a relationship between forests and climate, and rising concern about global warming is focusing attention on the importance of forests in the United States and in tropical regions throughout the world. Concern about the need for biologically diverse ecosystems and for preserving rare and endangered species of plants and animals is growing. Forests provide much of the habitat for game and non-game wildlife species.

Commercial uses of forested wetlands is a matter of intense debate because of potential damage to fresh water and estuarine environments. The maintenance of forest health in the face of increased regional and global air pollution, altered pest distribution patterns, and human encroachment is recognized to be a priority need if forest cover and wood supply are to be maintained. These and other issues put forested ecosystems in the forefront of the public environmental agenda.

The subtitle that we propose does two things. First, it clarifies the authority of the Secretary of Agriculture to conduct and support education, research, extension, and international programs dealing with environmental as well as commodity issues associated with forested lands. Second, it calls for specific programs to enhance the capability of the nation's forestry schools and colleges to deal with these critical issues. It calls for a major research grants program to expand scientific effort on such important issues as the biology of forest organisms, ecosystem function and management, human-forest interactions, international trade and competition, and wood as a raw material. It also calls for a facilities grants program in recognition that the physical facilities and research equipment at many research stations and forestry schools are inadequate.

It calls for continued authority of the Renewable Resources Extension Act and a national advisory group composed of representative of the forest products industry, environmental organizations, wildlife and fishery interests, range, and other organizations to advise the Secretary about directions of this important program.

It calls for a graduate fellowship program to increase the supply of scientific manpower in the sciences critical to forestry. Also needed is an undergraduate fellowship program to enable us to increased the number of women and minority professionals in forestry , natural resource and related environmental disciplines.

Finally, our proposed subtitle calls for a grants program to enhance research, education, and technology transfer activities in tropical forest management, agroforestry, and international forestry.

I am providing the Committee with a copy of our proposed subtitle and all of us responsible for the nation's forestry education and research programs seek your support. Thank you for the opportunity to offer these thoughts.

(Attachments follow:)

DRAFT

Title XIV. Subtitle - Forestry, Natural Resources and the Environment

Submitted by the

National Association of Professional Forestry
Schools and Colleges

c/o College of Forest Resources
North Carolina State University
Raleigh, NC 27695-8001

Subtitle ___-- Forestry, Natural Resources, and the Environment

PURPOSE

SEC. ____. It is the purpose of this subtitle to promote the health, vitality, productivity, natural resources, and environmental quality of the one-third of the Nation's land area that is forested which are vital to the U. S. economy, related natural resources, environmental quality, and our quality of life. An increasing environmental awareness and concern in America is shifting public attention to a variety of new and important forest, related natural resource, and environmental issues. Forests and their associated natural resources have become the focal point of controversy and conflicts of values among different segments of the American public--conflicts and issues that are unique to forested environments that warrant special legislative attention. These issues include: assurance that forest industry remains competitive in the world marketplace and its importance to the U.S. economy; relationship between managed forests and water; importance of forests to climatic change and global warming; role of forests in the preservation of biological diversity and rare and endangered species; provision of major habitat for game and non-game species; management systems for forested wetlands; forest health and air pollution; and role of forests in the urban environment. Specific purposes are: to increase research and educational programs to improve the development of forest policies and management systems for production and utilization of forest resources including fiber, water, wilderness and recreation, biological diversity including rare and endangered species, game and non-game wildlife habitat, and forage and to improve the stabilization of climatic change; to increase the effectiveness and efficiency of managing forest resources for the diversity of public needs, demands and values; and to enhance the understanding and processes for resolving public conflicts pertaining to compatibility of commercial use of forests with related natural resources, and environmental quality. It is recognized that colleges and universities having accredited schools or colleges of forestry and State agricultural experiment stations and cooperative extension services that conduct forestry and related natural resource research and extension programs, are vital to the conduct of expanded education, research and extension programs essential to achieve the purposes of this subtitle.

AUTHORIZATION TO THE SECRETARY OF AGRICULTURE

SEC. ____ In order to carry out the purposes of this subtitle, the Secretary is authorized to cooperate with, encourage, and assist the states in carrying out programs in forestry, natural resources, and the environment for education, research, and extension at eligible institutions in the manner described hereinafter in this act and subtitle.

FORESTRY, NATURAL RESOURCES, AND ENVIRONMENTAL RESEARCH

SEC. ____ (a) Reaffirm the importance of, maintain the authorization and increase the appropriations of the Act of October 10, 1962 (16 U.S.C. 582 a et seq.) commonly known as the McIntire-Stennis Cooperative Forestry Research Act of 1962.

(b) There are authorized to be appropriated funds for a competitive forestry, natural resources, and environment grants program to meet the critical needs identified in this subtitle. The Secretary may make grants, for periods not to exceed five years, to State agricultural experiment stations, college and universities, other research institutions and organizations, federal agencies, private organizations, or corporations which have demonstrable capacity to conduct forestry, natural resource, and environmental research, as determined by the Secretary. Initial priorities for such research shall include: 1) biology of forest organisms, including physiology, genetic mechanisms and biotechnology; 2) ecosystem function and management, including forest ecosystem research, biodiversity, long-term productivity, pest management, and alternative silivicultural systems; 3) wood as a raw material, including forest products and harvesting; 4) human-forest interactions, including outdoor recreation, public policy formulation, economics, sociology and administrative behavior; and 5) international trade competition and cooperation. The Secretary shall request the Cooperative Forestry Research Council, defined in Section 5(b) of the Act of October 10, 1962 (16 U.S.C. 582a-4 and 582a-5) as amended to provide recommendations regarding grant priorities.

c) There are authorized to be appropriated funds for the updating of physical facilities and research equipment at eligible institutions defined in SEC__ of this subtitle to facilitate the conduct of state of-the-art research in forestry, natural resources and the environment for the purpose of this subtitle. The Secretary is authorized to develop criteria and priorities for the allocation of such funds using the guidance of the Cooperative Forestry Research Council defined in the previous SEC_____(b).

FORESTRY, NATURAL RESOURCES AND ENVIRONMENTAL EXTENSION PROGRAMS

SEC.___. Reaffirm, expand program definition, and increase appropriations for the Renewable Resources Extension Act of 1978 (P.L. 95-306). This Act should be amended to include environmental education as a program component and provide the Secretary of Agriculture a leadership role in environmental education through the Cooperative Extension Service. Appropriations should be increased to respond to 'current educational needs defined in this Act and to provide for increased program emphasis in environmental education. Also, the Act should be amended to establish a national advisory council to the

Secretary composed of representatives of the forest products industry, agricultural industry, environmental and conservation organizations, wildlife and fishery interests, range and other organizations with specific interests and expertise in forestry, natural resources and environment. This Council should provide recommendations to the Secretary on program priorities.

FORESTRY, NATURAL RESOURCES, AND ENVIRONMENTAL EDUCATION

SEC.____ a) There are authorized to be appropriated funds to expand the professional education of forestry, natural resource, and environmental scientists for the purpose of this subtitle. The Secretary shall make a grant of appropriated funds available on a competitive basis for graduate fellowships to institutions having demonstrable graduate programs in forestry, natural resources, and the environment to insure an adequate pool of scientific manpower. Priority should be given to the following areas: 1) biology of forest organisms; 2) ecosystem function and management; 3) human-forest interactions; 4) international trade, competition, and cooperation; and 5) wood as a raw material.

b) There are authorized to be appropriated funds to expand professional education for minorities and women in forestry, natural resources, and the environment to meet work force diversity goals. The Secretary shall make available grants for undergraduate fellowships on a competitive basis to institutions having demonstrable undergraduate programs in forestry, natural resources, and the environment.

FORESTRY, NATURAL RESOURCES, AND ENVIRONMENTAL INTERNATIONAL PROGRAMS

SEC.____. There are authorized to be appropriated funds to establish a grant program to U.S. institutions and overseas cooperators having demonstrable capabilities to conduct research, education, and technology transfer activities in international forestry, natural resources and the environment. The Secretary shall administer this competitive grant program in consultation with the Secretary of State to:

1) Conserve forest ecosystems, maintain the biological diversity they contain, and mitigate possible adverse consequences of global change through improved understanding of their ecology and management;

2) Incorporate trees into farming and grazing systems through agroforestry and social forestry to improve local economies and environments;

3) Improve local availability of fodder, food, and fuel through selection and breeding of fast growing, multipurpose species;

4) Conserve forest resources and improve economic conditions through improved utilization of wood from natural forests and plantations; and

5) Improve the implementation of forest management strategies, agroforestry systems and technologies through analysis and strengthening of forest policies and institutions.

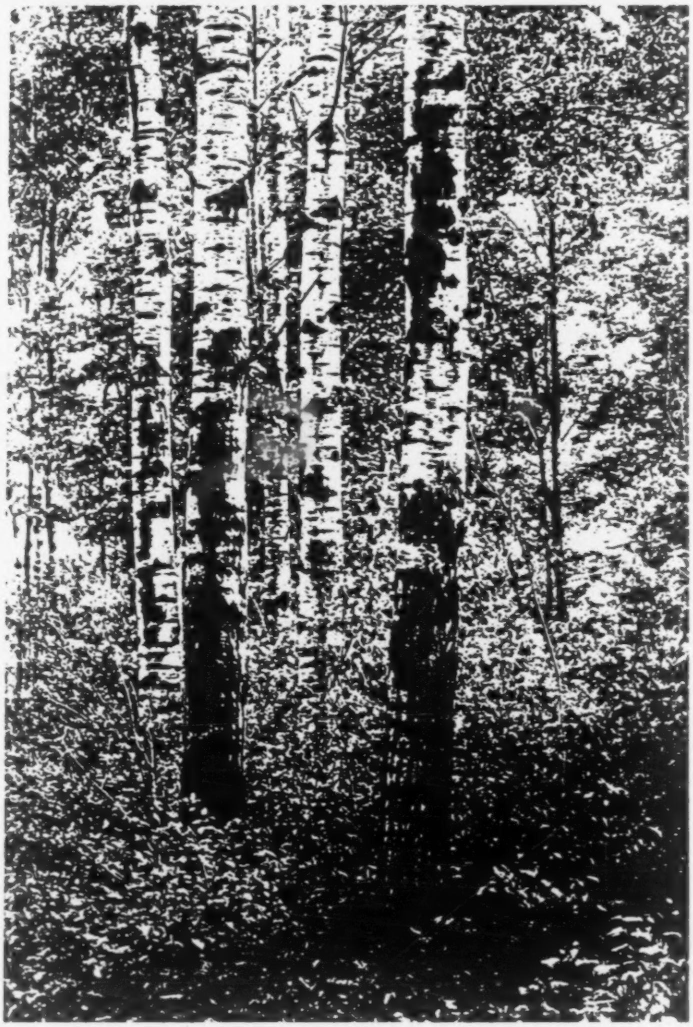
FORESTS FOR AMERICA'S FUTURE
A Research Program for the 1990s

U.S.D.A. Forest Service

National Association of Professional Forestry Schools and Colleges

U.S.D.A. Cooperative State Research Service

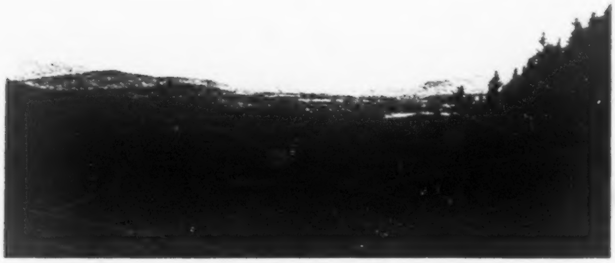
June 1989



Forests for America's Future ▪ 1
The Process and Productivity of Forestry Research ▪ 5
Resources for Forestry Research ▪ 9
Forest Resource Issues of the 1990s ▪ 16
Forest Resources for the Future ▪ 22
The Western Region ▪ 24
The North Central Region ▪ 26
The Southern Region ▪ 28
The Northeastern Region ▪ 30

On the cover: *Quaking aspen.* Photo courtesy of the University of Minnesota.

FORESTS FOR AMERICA'S FUTURE



The United States is blessed with vast, diverse, and renewable forest and rangeland resources. Photo courtesy of the USDA Forest Service.

Consider these facts:

- Over 70 percent of the total land area of the United States—1.6 billion acres—is occupied by forests and associated rangelands. From the frozen tundra of Alaska and the tropical forests of Hawaii to the pine plantations of Florida and the spruce woods of Maine, more than one third of America—737 million acres—is covered by trees.
- The United States ranks first among all nations in industrial timber production and third in "commercial" forest land area, with 483 million acres.
- Over half of the commercial forest land in the United States is owned by private, nonindustrial landowners, including farmers. The U.S. Department of Agriculture's Forest Service is the largest forest landholder, with 191 million acres.
- The forest products industry adds about $73 billion to the value of the U.S. economy each year, which represents 7.3 percent of the total value added in all manufacturing.
- The tonnage of wood handled each year by this industry exceeds the annual tonnage of steel, aluminum, cement, and plastics combined.
- Forest products companies employ 1,580,000 people—8.5 percent of all the people employed in U.S. manufacturing, or 1 out of every 12 employees.

- An average of 550 million visitor days of outdoor recreation use has occurred on federal lands each year throughout the 1980s. Forest-based tourism and recreation are the primary local industries for thousands of communities, and recreation product and service industries contribute $300 billion annually to the national economy.
- Trees and forested areas enhance the quality of life, play a vital role in our global ecosystem, and are essential for maintaining a safe and adequate water supply.

The Significance of Forest Resources

The importance of forests and associated range, wildlife, fish, water, and recreation resources to the national economy and to American life is substantial. The outstanding characteristic of these vast resources is their diversity—in abundance, type, accessibility, and productive potential. Because of this, management strategies need to be specifically tailored to regional and state needs.

The ownership of our nation's forest resources is diverse as well, with

New Products, Processes Boost the Forest Products Industry

Research at several university and Forest Service laboratories is helping the U.S. forest products industry remain competitive in today's global marketplace.

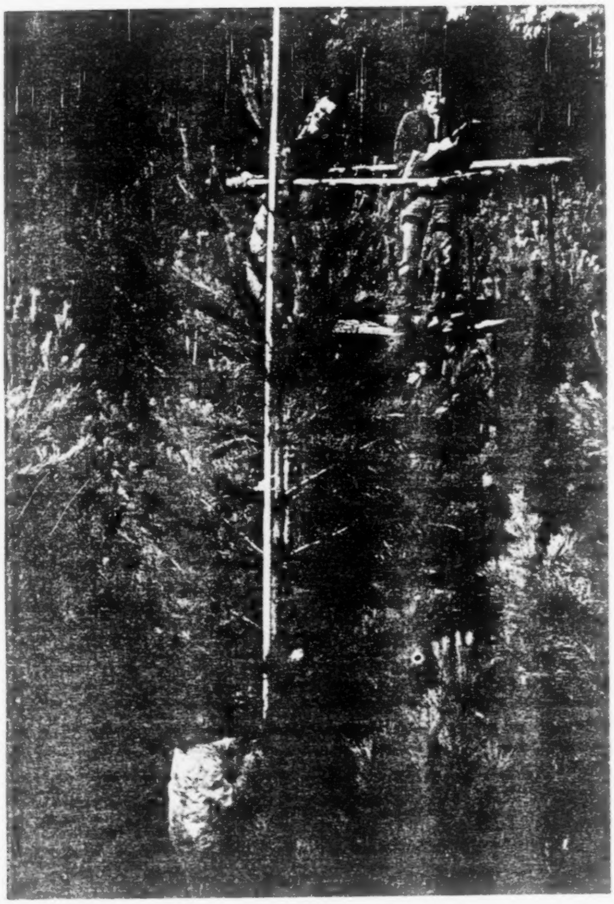
For example, a new wood-based material that could revolutionize the automobile industry—and thus provide a vast new market for wood—is being developed by scientists at the University of Wisconsin-Madison. The product is a nonwoven composite of 80-90% wood fibers and 20-10% synthetic fibers which is compression molded at high temperatures to produce the desired shape. The composite is lighter in weight than current automobile skins and components and one-sixth as costly.

At Oregon State University's Forest Research Laboratory, scientists have helped improve mill output by developing a method for evaluating veneer production. Application of this method led to development of new clipping strategies in veneer mills. Trials in Louisiana and Oregon increased veneer recovery 3 to 4%, resulting in $200,000-to-$300,000 increases in annual revenue for each mill. The strategy has broad-based application for veneer and plywood mills in the South and Pacific Northwest, where the nation's plywood production is centered.

The United States has no shortage of low-quality hardwood timber, and the Forest Service has long been involved in research on ways to make better use of it, especially through removing or reducing defects during processing. At the Forest Products Laboratory in Madison, Wisconsin, wood-utilization specialists found that by simply changing the order of steps in machining structural lumber, warping can be greatly reduced. The new process, called Saw-Dry-Rip, involves sawing green logs into planks, drying the planks to a uniform moisture content, then rip-sawing them into lumber.

The concept of "standard blanks," developed at the Princeton, West Virginia, Forestry Sciences Laboratory, also increases the usefulness of low-grade timber. Because 80% of the wood parts used in making furniture are less than 40 inches long, the industry no longer requires very many clear, 8-foot specimen logs. Furniture manufacturers can use standard blanks made by gluing together defect-free segments of low-quality logs. A whole new industry has sprung up to fabricate this material for furniture and cabinet manufacturers. In addition, standard blanks have good export potential; both European and Asian countries are interested in purchasing this new product.

Underutilized hardwoods also are the focus of research done at the University of Illinois Wood Engineering Laboratory, where researchers have produced commercially acceptable oriented strandboard and homogeneous structural flakeboard from 3-year-old, short-rotation tree stems of autumn olive, black alder, poplar, black locust, paulownia, sycamore, and their mixtures. These species were planted on marginal agricultural land which was not suitable for food production in Illinois. Results indicated that these juvenile hardwood plantations have good potential for use as raw material for the structural flakeboard industry, as well as for the paper and chemical industries and for energy applications.



[illegible]

most of the public land in the West and most of the private land in the South and North. In addition to private, nonindustrial landowners and the Forest Service, forest industries [illegible] Federal agencies, and State, county, and municipal governments [illegible] of forest land. Each has forest management goals, problems, and opportunities for development.

Research provides the knowledge and technology needed so that forest and associated resources can produce more of the products and amenities society demands without sustaining damage to their productive potential.

America's forest resources provide a diverse array of goods and services. In direct economic contribution, the most important product from our forests is wood, followed by forage, water, and recreation. [illegible] in the West, and most [illegible] forest and associated [illegible] and shelter for [illegible] and wildlife and essential habitat for endangered plants and animals.

Forests, rangelands, watersheds, and wildlife are renewable resources capable of providing benefits forever. But only with appropriate investments and scientifically based management can these resources make ever more significant contributions to the quality and length of American life. However, [illegible] phenomena are undermining the long-term viability and productivity of these resources.

Consider these additional critical facts:

- The net trade balance in U.S. forest products dropped from a $1 billion surplus in 1981 to a deficit of $6 billion in 1987.
- The 280 million acres of commercial forests controlled by 7.8 million nonindustrial landowners are producing forest products at less than 50 percent of capacity.
- The extent of forest and associated rangelands taken out of production each year is considered to be substantial.
- Conflicting demands on resources and their managers are wasting human and financial capabilities and limiting potential long-term productivity of forest and associated resources.
- Inefficiency in the production, harvest, and use of forest products wastes resources.
- Climatic changes, including air pollution, are probably damaging forest ecosystems.

These occurrences may lead to a shrinking resource base, slower growth in resource productivity, a reduction in biological diversity, and decreasing competitive capability for the U.S. forest products industry. An essential key to reversing these trends is research. Research provides the knowledge and technology needed so that forest and associated resources can produce more of the products and amenities society demands without sustaining damage to their productive potential.

This document describes the nation's publicly funded, coordinated forestry research endeavors and outlines some of the benefits derived from past investments in those programs. Its main purpose, however, is to present the forestry research community's priority programs for addressing the forest resource issues of the 1990s and to describe how further investments in these programs will benefit all Americans.

Scientists are Searching for the Truth About "Acid Rain"

"Acid rain" has become a household word in homes around the world. Yet policy makers disagree on both the scope and severity of the effects of acidic deposition on plant and animal life. Forest scientists at several American universities are helping sort out fact from fiction on this critical issue.

- Research at the University of Illinois is determining how acidic deposition affects the biogeochemistry of forest soil sulphur and carbon. Alterations in the cycling of these elements can affect forest growth, as well as the surface-water chemistry of streams and lakes that have sources in forested watersheds.

Major efforts are underway at the University of Florida, in cooperation with other institutions, toward understanding the complex interactions of nutrient cycles, tree physiology, and air quality in southern pine ecosystems. Included are studies of the ozone and acid precipitation effects on physiological mechanisms in pine and the deposition and movement of atmospheric pollutants in pine forests.

Results from these and other research projects will help to quantify the potential effects of "acid rain" on forest ecosystems, thus helping to guide future management and policy decisions.

(The complete report is held in the committee files.)

TESTIMONY BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON AGRICULTURE
Fayetteville, North Carolina
January 29, 1990

Presenter: James P. Green, Jr., Executive Director of the North Carolina Coalition of Farm and Rural Families, Inc.

On behalf of the North Carolina Coalition of Farm and Rural Families, I would like to express my graditude for having this opportunity to testify before this committee.

The Coalition is a nonprofit, tax-exempt organization that is dedicated to improving the economic plight of small farmers, particularly minority farmers. Through it's Small Farm Horticultural Marketing Project, the Coalition has provided small farmers across North Carolina, with financial and technical assistance designed to address their most urgent needs.

However, I am here today to voice my concern about the severe crisis that currently exists in the nation's minority farm community. After sharing some rather shocking statistics with you, I will discuss policy recommendation's that I ask you to consider when pondering the 1990 Farm Bill.

Over the last 10 years, North Carolina's small farm community has been faced with a very bleak economic outlook. In fact, North Carolina leads the Southeast in the number of farms lost. According to the 1987 U.S. Census of Agriculture report, from 1978 to 1987, North Carolina lost over 22,000 farms. During this period, the number of farms in North Carolina decreased from 81,706 in 1978 to 59,284 in 1987. This represents a 27% decline in the number of farms still operating in the state.

However the problem is even more severe for Black farmers who have lost their land at 2 1/2 times the rate of their white counterparts. Currently, Black farmers across the country are losing their land at the staggering rate of more than 1000 acres per day. In 1910, Blacks owned about 15 million acres of land. Today, that figure has fallen to below 5 million acres.

North Carolina, which has one of the highest concentrations of Black farmers in the country, also has one of the highest rates of black land loss. According to the 1987 U.S. Census of Agriculture, the number of Black farms in the state decreased from 6,966 in 1978 to 3,303 in 1987. That is over a 50% percent decrease over a 10 year period. During that same 10 year period, the total acreage of Black farm land in North Carolina decreased from 490,105 in 1978 to 273,396 acres in 1987, a 44% decrease. That also represents a 79% decrease from the 1.3 million acres that Blacks owned in 1950.

The U.S. Civil Rights Commission, in a 1982 report, entitled *The Decline Of Black Farming In America*, found that "unless the policies of the U.S. Department of Agriculture are changed, there will be no more black farmers by the year 2000". Though this report was written in 1982, so far nothing has happened to alter the rapid decline of Black farming in America.

Historical patterns of discrimination, neglect, lack of access to capital, unequal marketing opportunities and limited education are all factors that have contributed to the decline of minority land ownership in America. However, the problem has been exacerbated by insensitive agricultural policies.

Governmental entities have been indifferent to the unique set of problems that face the minority farm community. For example, less than a quarter of all black farmers have been assisted by U.S. Department of Agriculture programs. In fact under most U.S.D.A. programs, 10% of the largest farmers receive 75-90% of the program's benefits.

Hopefully this committee recognizes the importance of having racial and ethnic diversity in the ownership of the nation's farmland. Please consider the following comments of the U.S. Civil Rights Commission from the *Decline Of Black Farming In America* report:

> *A society where whites control virtually all agricultural production and land development (including commercial, industrial, and resort development) is not racially equal. Such an imbalance can only serve to further diminish the state of Blacks in the social order and reinforce their skepticism regarding the concept of equality under the law.*

POLICY RECOMMENDATIONS

To promote racial and ethnic diversity in the ownership of farmland, the Congress is hereby encouraged to pass a Minority Farmers Rights Bill that incorporates the the following policy recommendations:

1. DEVELOPMENT OF NATIONAL MINORITY FARMER AND LAND REGISTRY

To arrest the rapid rate at which Blacks are losing their land, a National Minority Farmer And Land Registry needs to be established. This computerized database would be organized on a state by state, county by county basis. It should consist of the names of minority farmers and a legal description of the acreage within the minority landbase.

This registry, which would be regularly updated, would greatly assist the Department of Agriculture in establishing and implementing special programs aimed at preserving and when possible, restoring land to the minority landbase. Also the registry would allow for the sale and exchange of property in a manner that would halt the depletion of minority farmland.

2. DEVELOPMENT OF TARGET PARTICIPATION RATES

To eradicate racial discrimination and indifference to the unique needs of the minority farm community, the Department of Agriculture should establish and apply target participation rates for socially disadvantaged groups. Funding and other programatic benefits should be distributed according to these target participation rates, which would be determined on a county by county basis. Federal programs that would use these rates include: the Farmers Home Administration, the Agricultural Stabilization and Conservation Service, Soil Conservation Service, the Agricultural Extension Service and the Agricultural Research Service.

3. SUPPORT OF EDUCATION AND OUTREACH PROGRAMS

A strong education and outreach program is needed to inform socially disadvantaged farmers about the programs that are available to assist them. These farmers need assistance in applying for grants, loans, technical assistance, financial assistance and a host of other benefits that are offered by federal, state and local entities.

To accomplish this purpose, the Department of Agriculture should be authorized to make grants, contracts or other arrangements with community-based organizations, 1890 land grant universities and other educational or nonprofit entities that have demonstrated experience in providing education and outreach services to minority and limited resource farmers. Some of these organizations include, but are not limited to:

1. the North Carolina Coalition of Farm and Rural Families, Inc.;
2. the Federation of Southern Cooperatives/Land Assistance Fund;
3. the North Carolina Land Loss Prevention Project;
4. the Rural Advancement Fund;
5. the Arkansas Land and Farm Development Corporation;
6. National Council of La Raza; and
7. Indian Farm Organizations.

If these measures are authorized and appropriated, hopefully we as a nation will be able to arrest the rapid decline of Black farming in America. I appreciate having the opportunity to make this presentation. If I can be of any assistance to you or answer any questions, please feel free to call me at (800) 444-8935 or write:

North Carolina Coalition of Farm and Rural Families, Inc.
Post Office Box 52382
Durham, North Carolina 27717-2382

TESTIMONY OF GEORGE AMMONS FOR
THE RURAL COALITION

BEFORE THE

U.S. HOUSE AGRICULTURE COMMITTEE
HEARING ON THE 1990 FARM BILL

MONDAY, JANUARY 29, 1990

FAYETTEVILLE, NC

Members of the House Agriculture Committee, my name is George Ammons. I am a small turkey and row crop farmer from Duplin County North Carolina. I am a member of the Board of the Rural Coalition, a national coalition of farm and rural groups. I also chair the subcommittee on minority rights for the National Save the Family Farm Coalition and I am a board member of the United Farmers Organization.

I have been telling the plight of the black farmer for the last five years. I have identified black farmers as an endangered species, hoping for specific attention to be focused on our needs and hoping that we can continue on our land.

As you know the 1982 U.S. Civil Rights Commission report gave details on the problems we were facing and still face.

Most small farmers are also faced with the common problem of debt and credit. Recently Farmers Home Administration has gone to the guaranteed loan instead of direct loans. This problem is continuing to force us out of farming because credit is just not accessible to us at commercial institutions and at reasonable rates.

As you know Farmers Home Administration was set up to provide services for small and limited resource farmers but since FmHA has gone to guarantees, its not serving the small farmers. This hurts us all, black and white alike.

I hope you can understand the predicament we are in when we try to secure credit. I urge each Congressional member who is here today to get FmHA back to providing serious backing to those farmers which Congress intended the agency to support. We direct loans and direct assistance, not inaccessible guarantees.

We also have other concerns and those are being voiced through the National Family Farm Coalition and the United Farmers Organization proposals for the 1990 Farm Bill.

In these proposals is a set of special provisions for minority farmers (black, Indian, and Hispanic farmers).

We urge each of you to support these provisions

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which are now being called the Socially Disadvantaged Farmers legislation. I believe that this particular piece of legislation will enable us, the existing minority farmers to continue and it will encourage our children and other young people to become farmers.

Owning land is the American dream and your support in this endeavor will help ensure the survival of minorities on the land and will ensure our ability to continue providing food and fiber for ourselves and the nation.

To the members of the House Agriculture Committee and others who are present today, I thank you for the opportunity to be heard. I hope that I will be around to share my views with you in the future.

Sincerely,

George Ammons
Rt 1, Box 881
Kenansville NC 28349

TESTIMONY

BEFORE THE HOUSE COMMITTEE ON AGRICULTURE

JANUARY 29, 1990

PEANUT TITLE OF THE 1990 FARM BILL

Presented by Bobby Jordan, a peanut grower from Columbus County, North Carolina and supported by peanut growers Wilbur Ward and Everett W. Byrd, Bladen County, North Carolina and Harvey Batson, Pender County, North Carolina

Chairman de la Garza, it is a pleasure to welcome you and your Committee to North Carolina and to make a brief Statement, concerning the Peanut Title of the 1990 Farm Bill. We want to let you know how proud and pleased we are to have three North Carolinians, serve on your Committee, namely: Congressman Charlie Rose, Congressman Martin Lancaster and the Dean of our Congressional Delegation, Congressman Walter B. Jones. We commend and appreciate the outstanding leadership Congressman Charlie Rose gives to the Sub-Committee on Tobacco and Peanuts. It is only fitting, this hearing is being held in his Congressional District.

We peanut growers here today, led by Norfleet L. Sugg, Executive Secretary of the North Carolina Peanut Growers Association and a leader in the National Peanut Growers Group, fully support the official testimony, presented at the House Sub-Committee on Tobacco and Peanuts Hearing held on December 1, 1989 in Tarboro, North Carolina, by our Association's President, Jerry L. Hamill.

The present peanut program is not perfect, but it works. We thank all Members of this Committee for the dedicated leadership you exerted to pass a workable peanut program, in the 1985 Farm Bill. The price support, poundage quota, two-price system is a unique program, that offers a fair return to growers, shellers, peanut processors and peanut product manufacturers, while offering the consumers an economical, wholesome and tasty food product. The two-price system, utilizes quota peanuts for the domestic market and additional peanuts for export or crushing for oil and protein meal.

North Carolina has 7,676 peanut farms, growing about 155,000 acres, generating almost $130,000,000 gross sales, at the farm level. The average size peanut farm in North Carolina is less than 300 acres, which is small compared to many other farm states. Although our farmers grow other crops and livestock, peanuts are our "bread and butter". Our family farms and rural communities would be devastated, without our present peanut program. Frankly, present peanut legislation could be a model for some other food commodities to adopt.

We support our present peanut legislation, as is, or with minor adjustments. You have helped us, in the past, and we ask for your continued support. The National Peanut Growers Group is "unified" and supports this position.

This concludes my comments, Mr. Chairman. We would be pleased to respond to any questions you may ask us.

National Save the Family Farm Coalition
80 F Street, N.W., Suite 714 Washington, D.C. 20001 (202) 737-2215

TESTIMONY

OF

TOM TRANTHAM

BEFORE THE

US HOUSE COMMITTEE ON AGRICULTURE

FIELD HEARING ON THE 1990 FARM BILL

CHARLIE ROSE AGRI-EXPO CENTER

FAYETTEVILLE, NC

JANUARY 29, 1990

Mr. Chairman, Congressman Rose, and members of this Committee, I welcome this opportunity to testify before you today. I am speaking to you on behalf of the National Family Farm Coalition, which is comprised of family farmers in 30 States, and 41 different organizations. I am Tom Trantham, National Co-chair of the NSFFC's Dairy Committee. I am a dairyman from Greenville, SC., and have spent the last four years working with dairymen all across the country to write a dairy bill that is written by working dairymen, and meets the needs of dairy farmers in all regions. It also is a reduced cost to the Government, and continues to supply a quality product at reasonable prices to the consumers.

Gentlemen, I stand here before you today feeling as a convicted criminal. Guilty for producing a quality product, guilty for being efficient, guilty for increasing production to met the lowering farm prices. I feel that you stand over me as a judge with your mind already made up. As I said earlier I have spent the last four years traveling over this great country meeting with the family farmers. There I find broken homes, run down farming equipment, the embarrassment of being guilty of the above charges. But even with this I still find that overriding optimism of the family farmers willing to devote his time and effort to bring to you the truth. As we have worked together to come up with a solution many hours, days, months, and years have been spent to outline a new dairy program that will work for the North, South, East and the West. In this proposal, we present the ability to supply this nation with all of the milk and dairy products needed. To supply an adequate reserve at the lowest possible price to the American consumer, and Federal Government at the same time providing fair price to the farmer so that he too can paint his barn, repair his equipment, and just, maybe, buy that new pickup.

Gentlemen, this is a system based on inventory management, and a two - tier pricing system tied to a cost of production formula that reflects the ever changing cost of supplying a quality product. This is from the farmer, we are the ones who are going broke, we are the ones that are losing our land, this is what it will take. We are asking you to know and understand our situation, and take action. You are hearing this from the people with the problem. What we say is true.

You may hear some isolated cases where dairy farmers are doing extremely well, but for every one that is doing well I can bring you ten good ones that are going under, they are losing their families, their homes, and their way of life. I understand that as we become more efficient, that we might lose some of our fellow farmers. But with our proposal we can become efficient, extremely efficient. Inventory management will allow us to continue the number of dairy farmers that it takes to make milk available to all the American people, in all of the States. It will prevent having to concentrate it in any one area, or having to truck it long distances across America; that is inefficiency, gentlemen.

Efficiency is producing at least a major part of the milk needed in South Carolina by South Carolina dairy farmer, Tennessee, Alabama, Vermont, or Maine by their farmers. The ability to produce that product locally creates local revenues that tend to buy that local fire truck. We all pay local school and property taxes. All of these things that we are doing are very important and are being overlooked. As we get rid of the farmers with this increased concentration and mass production, the federal government will end up carrying the load. We will not be able to buy the fire truck and somebody has got to buy it. The taxpayers are going to have to buy it. Or we can stay in our communities and thrive. Our communities can thrive, with the small family farmer being a part of it. The importance of the small family farmer is not to just produce a quality product, but to be the Sunday school superintendent or to be on the school board or to be a part of the local volunteer fire department or to be there; just to be there in this great nation. And we need to be there and need you sir, need to see that we are there. This is the reason for this proposal. It is to reaffirm a fair and just life-style for the family farmer.

Respectfully submitted,
Tom Trantham
330 McKelvey Rd.
Pelzer, SC 29669

(Attachment follows:)

National Save the Family Farm Coalition
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NATIONAL DAIRY ACT

DRAFT PROPOSAL 6/30/89

This discussion draft of a National Dairy Act is being proposed by a coalition of farmers from different regions of the country. The goal of this program is to establish a long-term supply management system which is controlled by farmers. The program is based upon the principles of fair market prices, targeting to family-sized farms, and regional equity.

The program is designed to establish an overall national supply management system which has general provisions that cover all farmers, and allow those regions that wish to do so to establish a regional program which is more detailed in its provisions and more closely controlled by farmers in that region. In drafting this proposal we believe that there is merit to designing a program that allows regions to exercise a fair level of local decision-making on key family farm targeting issues, while still preserving the basic goals in all regions of the country.

Nothing in this bill shall be interpreted in such a way as to impose any economic hardships on family dairy farmers whose total milk production in any consecutive 12-month period is less than either; a) 1.5 million pounds; or, b) less than 25 percent of the average production of his or her region, whichever is greater.

SECTION I: ESTABLISH A FAIR BASE PRICE

A. A national base pricing system will be established. The milk support price for milk produced within a producers annual base will be set a 75% of parity, and will increase by 3% of parity each year for the next five years. The Federal Milk Marketing Order System will remain in place. Price differentials will be reviewed by the National Dairy Board to determine if they accurately reflect current production and transportation costs.

B. No region or federal order system in the country will be allowed to develop and maintain a class of milk priced below the federal support price.

SECTION II: FARMER CONTROL THROUGH FARMER-ELECTED REGIONAL AND NATIONAL DAIRY BOARDS

A. Local Administration of Supply Management Programs

County ASCS Committees will be responsible for local administration of the regional supply management programs. Dairy producers in each county will elect a separate Dairy Committee who are active dairy producers. This Dairy Committee will be responsible for decisions concerning base allocation and appeals. Counties that have fewer than five active dairy producers shall join with other counties in order to compose an adequate Dairy Committee. This combined Dairy Committee will serve dairy producers in the combined counties.

This committee shall consist of three dairy farmers with one year terms, limited to two consecutive terms.

B. Farmers in each region will elect a regional Farmer/Consumer Dairy Board to develop and supervise the administration of programs and referendums under this Act. This Board will also monitor and review price increases at the retail level. This board shall consist of six active dairy farmers and three consumers. Members of this board shall serve 3 year terms limited to 2 consecutive terms. The first election shall be implemented on a staggered basis. Nominations and voting will be based on ASCS procedure.

1) In order to protect their producers, regional Dairy Boards shall administer the national supply management program. Any additional provisions that are appropriate to their region must be approved in a referendum by a majority of producers in that region. No bloc voting will be permitted. Regional programs must follow strict guidelines to provide for family farm targeting, entry of beginning farmers and non-monetary transfer of base between farmers.

C. Representatives to the Regional Dairy Boards will annually elect, from their own ranks, a National Dairy Board, which will provide general oversight to the administration of the national dairy program. The National Dairy Board will monitor CCC and ASCS actions and can review changes in program regulations, will serve as the final level of appeal, and will annually determine the estimated production levels needed to balance national dairy production and demand. This board shall consist of one farmer member from each region. Funding for all dairy boards will be the responsibility of USDA through ASCS.

SECTION III: NATIONAL REGIONALIZATION AND REFERENDUM

A. The Secretary shall divide the country into not less than seven and not more than eleven regions based on historical production and marketing patterns, subject to the approval of the National Dairy Board once it is established.

B. The Secretary shall conduct a referendum within 30 days after the date of enactment, by secret ballot, of all milk producers engaged in milk production for commercial use, in the U.S. to determine whether a majority of dairy producers support the implementation of the national supply management program. No bloc voting will be permitted.

1) The continuation of the national base program will occur unless Congress approves a Joint Resolution of disapproval prior to July 1, 1995. This measure will not make it necessary for repeated national referendums of dairy producers on the program.

C. Production Year - The annual production year shall be based on a calendar year that begins on July 1 and ends on June 30th.

SECTION IV: ANNUAL BASE ALLOCATION

A. The National Dairy Board will make an annual determination of the amount of increase or decrease in production which is needed to meet the projected demand for dairy products in the next year, allowing for the required CCC purchases for existing food programs, government usage, and adequate supplies for food reserves.

B. Regional Production Bases - A regional production base will be established for each region based on the sum total of the national base of its producers.

3) To beginning dairy farmers in a county (at least 25% of all new and returned base must be offered to beginning milk producer). The term 'beginning milk producer' means a milk producer who is in the process of establishing a milk production operation and who has not assumed the full control and risk of such operation for longer than 5 years.

4) To existing producers in a county below the regional producer cap who apply for it equally.

5) An agricultural commodity producer in the county, except that in the case of a county in which at least 5 percent of the agricultural producers are members of socially disadvantaged groups (as defined by the Small Business Administration) and have farmers who are or have expressed interest in being "new or beginning milk producers", the county committee shall transfer to these producers a percentage of the milk marketing base that is at least equal to the percentage of the agricultural producers in the county who are members of the socially disadvantaged group.

6) If a county is unable to allocate new or returned base to producers within that county, that base may be allocated by the regional Dairy Board to qualifying producers within the state, and finally to qualifying producers within the region.

7) If a region is unable to allocate new base to qualifying producers within the region, that base will be distributed equally among other regions.

8) No new or returned base shall be allocated to non-farm corporations and non-farm absentee investors. A non-farm corporation is defined for purposes of this bill as anyone who has greater than 50% of their gross annual earnings derived from other than the sale of raw milk.

9) Dairy producers who participated in the Dairy Termination Program may reenter the dairy business as new or beginning dairy producers.

SECTION VI: OVERBASE PENALTY

A. Milk produced in excess of a producer's annual base will be assessed a levy which will reduce the actual price received for excess production to 25% of the support price.

B. The National Dairy Board shall have sole authority to increase the penalty costs which shall apply to all regions equally.

C. All support price penalties due to overproduction shall be directly allocated for purchase of dairy commodities for government food assistance programs.

SECTION VII: COMMODITY CREDIT CORPORATION/DETERMINATION OF INVENTORY.

In determining total national milk inventory levels, CCC purchases will be calculated on net CCC purchases pounds of milk equivalent less CCC pounds of milk equivalent sold either to the commercial market or to government programs. CCC purchases used in government programs will be considered a part of the "National Utilization".

SECTION VIII: FOOD RESERVES AND COMMODITY DISTRIBUTION PROGRAMS

Adequate emergency reserves of dairy products will be maintained to support necessary long-term and emergency food relief programs, and these reserves will not be considered to be surplus production. This level is determined to be not less than 3 billion pounds milk equivalent.

1) For the first year of the program in case of increased or decreased national demand, regions will share the increase or decrease equitably. All future increase or decrease in demand will be allocated to the region where the increase or decrease is required. The term "Demand" is defined as the processor demand for raw milk in the region."

C. Initial Transition Period - To allow for appeals and special circumstances during the first two years of the program, 1% of the total national base will be allocated for use in appeals and emergency base adjustments. During this transition period, producers in regions which have held production within their regional base will not have their base reduced by more than this one percent.

D. Individual Producer Caps - Every region shall set an individual producer cap based on the economic and production needs of that region. Existing bases shall not be reduced, but no new or returned base will be allocated to producers whose existing base exceeds that cap.

SECTION V: ESTABLISHMENT AND TRANSFER OF PRODUCTION BASES:

A. Individual Bases - Each existing producer will receive a production base equal to either:

1) their previous year's production, or;

2) the average of their last five years of production, after eliminating the high and low years.

B. Transfer of Production Bases Between Producers

1) When a producer ceases their dairy operation their production base reverts to the county pool

2) Production bases may not be sold or leased except in regions where "class I monetary bases" have previously been established. Transfer of these class I bases must be in accordance with the provisions of this bill.

3) Producers in regions which are in a deficit supply situation may arrange for temporary base exchanges (up to one year) between producers in order to maintain a stable production base for that region.

C. Allocation of New or Returned Base - Allocation of new or returned base shall be in the following order:

1) Transfer of bases between family members shall not be restricted. Family members shall be defined as spouse, parents, siblings, children, and grandchildren.

2) First priority in allocation of base will be to "new milk producers" purchasing the production units (i.e., cows and/or farm). The term "new milk producer" means someone who has no milk marketing history and/or someone who has returned their base to the county pool.

UNITED FARMERS ORGANIZATION
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TESTIMONY OF BENNY BUNTING

BEFORE THE

HOUSE AGRICULTURE COMMITTEE
FIELD HEARING ON THE 1990 FARM BILL

JANUARY 29, 1990
FAYETTEVILLE, NORTH CAROLINA

My name is Benny Bunting, a Martin County N.C. farmer, speaking before you today as the President of and on behalf of the members of the United Farmers Organization (UFO).

The first item today is to welcome you the members of the House Agriculture Committee to North Carolina and to thank you for your participation in this field hearing.

I will be submitting written testimony prepared by several members of the UFO covering many aspects of the Farm Bill. My oral remarks will consist of several points from each of those testimonies.

Our membership thinks that farm policy in general needs a change of direction. We recommend that the direction be pattered after the peanut program.

Production management is a policy direction to strengthen rural America and insure food security for the nation. Production cost formulas are most important to farmers. Active farmers should be consulted in preparing the formulas. All commodities should be involved in this process. Production management is a cooperative effort in that the Secretary establishes the cost of production plus a reasonable profit; then the farmers agree to plant according to need. Increases or cuts in production are made as need demands, not price, since price is a constant.

The best evidence that this system would be better for farmers is proven by the GAO (assumed) projections FmHA uses in its restructuring calculations (copy attached). Every single program commodity except three drop dramatically in price in coming years. You guessed it! The production managed crops, peanuts, tobacco and sugar show increases. Production and living expenses show increases of about 20% but if production cost formulas are figured properly, peanut farmers will keep pace while others who grow grain will see their losses grow to insurmountable levels.

We have heard some reports that Federal Crop Insurance might be a requirement for participation in farm programs. If so, first it should be figured into the cost of production formulas that establish target prices.

The insurance should have coverage that covers potential yields. There are many inadequacies in this area. Our apple growers are one specific example-- expenses coverage of $600/acre to replace expected income of $2000/acre. Proven history and new insurance do not calculate.

Among the largest failings of FCI is that it does not include coverage for livestock producers.

While we are talking about livestock producers, let us mention how the drought legislation failed to help the livestock people. It is emergency coverage for crops because all natural occurances that harm producers are considered, but nothing is related to livestock losses. As a group, non-program corp growers, in some areas, are having trouble collecting benefits.

Appointed Trade negotiators should not circumvent elected officials in establishing farm policy. Please project a legislative process that allows public comment on all decisions. As important as Section 11 and 22 of the Trade Bill are, Why aren't they in the Farm Bill itself?

Credit issues of concern are:

1. Definite need for a legislative right to sue Farm Credit System (FCS).

2. FCS restructuring has not lived up to expectations. Sales are forced in too many cases.

3. FCS penalizes smaller operators charging them the highest rate of interest, even when, at times, they are over-secured.

4. FmHA is definitely improving but needs to work closely with borrowers on farm and home plans without unauthorized changes.

5. FmHA should work progressively to develop a feasible plan even if they have to run the DALAR$ program more than once.

6. FmHA should make sure former owners' Rights of First Refusal take precedence over wildlife deed restrictions.

7. Minorities should have equal access and opportunities for all programs. We support legislation to assure this right.

Current farm policy has endorsed and encouraged concentration in the food industry. We have lost countless thousands of family farmers. Many of those left are in livestock production and are now on contract to these concentrated giant corporations. While many people sing the praises of these giant integrators evolving in North Carolina, we differ and mourn the loss of family farms. We see a real danger in the contract systems where large companies get farmers into debt bondage and then dictate ver batum all aspects of production.

We appeal to you the Agriculture Committee, to strengthen the Packers and Stockyards language and jurisdiction. Make sure contracts are fair, honest disclosures of hidden facts are given, an appeal system for reprisals and cut offs is in place and help farmers set up growers associations.

Our thoughts and recommendations are for a new direction and a prosperous change in agriculture. Thank you for your attention.

Benny Bunting
President
United Farmers Organization
PO Box 176
Oak City, NC 27857

919-798-4721

Rural Advancement Fund National Sharecroppers Fund
PO Box 1029, Pittsboro, North Carolina 27312, USA
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TESTIMONY OF THE RURAL ADVANCEMENT FUND/NATIONAL SHARECROPPERS FUND

FOR THE

U.S. HOUSE AGRICULTURE COMMITTEE
HEARING ON THE 1990 FARM BILL

MONDAY, JANUARY 29, 1990

CHARLIE ROSE AGRI-EXPO CENTER

FAYETTEVILLE, NC

The Rural Advancement Fund thanks the U.S. House Committee on Agriculture for this opportunity to address issues for consideration in the 1990 Farm Bill. RAF is a fifty year old nonprofit organization which is dedicated to the preservation of our family farm system of agriculture, rights and opportunities for rural people, and protection of our natural resources. We are headquartered in North Carolina and have worked with thousands of farmers throughout the Carolinas in addressing issues and problems which affect our farm and rural areas. As an organization which encourages citizen participation we are delighted with this opportunity to present our views.

We would like to thank the Committee and, especially, Representative Rose for hosting this public hearing in our state. We would also like to thank Representatives Rose, Jones, Lancaster and Tallon for their continued support and leadership on the House Agriculture Committee.

We are grateful to see the era of the 1985 Farm Bill come to a close and to greet this opportunity for developing a better blueprint for national farm and food policy. Like you, we hope that the 1990 Farm and Food Security legislation will serve the highest interest of our family farmers, our rural communities and our nation. As you know the 1985 Farm Bill has not been a success for the nearly a half million families who were forced out of farming during this era. Since 17,000 of those displaced families were Carolinians we are especially anxious to see better policy put forward and opportunities created for re-entry into farming.

In our testimony we will cover these areas of concern: farm credit, commodity prices and inventory management, elderly, minority and disadvantaged farmers, poultry contract farming, low input sustainable agriculture, biotechnology and international trade.

FARM CREDIT

As an organization that provides direct assistance to farmers who continue to experience credit and debt problems as a result of the farm economic crisis of the 1980's, we have worked very hard to see that the 1987 Ag Credit Act is properly implemented.

Like you, we regard the Ag Credit Act as the most substantial farm credit legislation of the decade. Its provisions were designed not simply as a stopgap measure for the agriculture crisis of the 1980s, but also to ensure that in the future Congress would not have to redress many credit issues anytime there is stress in the agriculture economy. The Act provides a means by which a farmer who has been hurt by circumstances beyond his control can restructure debts, retain the homestead and otherwise rework the situation to get back on his feet. It is a means by which productive farmers can continue to contribute to the economy and the community. It protects individual and government interests at the same time.

In our efforts to see that the Agriculture Credit Act is effectively implemented and that farmers and the government receive the benefits that were intended by Congress, we can report that progress is being made in the Carolinas though it is slow and not without obstacles. The last report we received from the North Carolina Farmers Home Administration showed that the majority of farmers who had applied for debt restructuring and other services under the Act are still awaiting decisions from FmHA. FmHA reports that of 828 applications, 438 are still pending, 142 are being appealed and only 390 have had their debts restructured or have been given the opportunity for recovery value buy-outs. Only 70 farmers had received a write-down.

We recognize several problems with the implementation of the Ag Credit Act and recommend that Congress consider fine tuning the law to prevent these problems if solutions cannot be worked out administratively.

--While FmHA has been very strict about farmers meeting paperwork deadlines, it has not been so strict with itself. Processing of restructuring applications has been slow, often resulting in further deterioration of the farm's viability.

--Our county FmHA offices will only run the DALR$ program a single time. The DALR$ is a computer program that determines if and under what terms a farmers' debts can be restructured. While there are many variables that can change the results of

the program, a farmer is given only one shot at succeeding with the program. An independent run of the program is not available through other sources in the county.
Consequently, what can be the most important decision in a farmer's life is left up to one chance at the computer.

--County FmHA offices have also changed farm and home plans without notifying the borrower, thus changing the restructuring options. The National FmHA Office has instructed local officers to stop this practice but it continues.

--We recommend that Congress fine tune the Ag Credit Act, requiring FmHA offices to allow a number of runs of the DALAR$ program for borrowers who seek restructuring of loans. We also recommend that FmHA personnel not be allowed to change farm and home plans without permission of the farm borrower and that FmHA be required to observe strict deadlines on servicing decisions, etc., just as they have required farmers to strictly meet deadlines.

In addition to these problems with FmHA, we have found that Farm Credit System, though it received substantial help from Congress, is not living up to its responsibility to go the extra mile with farm borrowers. Few write downs or restructurings have been granted. Interest rates are excessive (15% in areas where other credit is available at 9 and 10%). According to recent court interpretations, farmers may not have the right to sue FCS even though decisions by the FCS may have caused losses.

--We recommend that Congress improve the FCS section of the Ag Credit Act, putting in more teeth and guidelines, so that FCS debt restructuring and homestead protection become realities. We further recommend that Congress reinforce the borrower's right to sue FCS.

Many of the practicing family farmers in the Carolinas are elderly. While the Ag Credit Act provides opportunities for debt restructuring and homestead protection, these provisions have proved to be inadequate for farmers over 60 years of age. Homestead agreements still require rental payments or market value buy outs of a homeplace. Farmers have worked all their lives to own these farms and many times have paid for them several times over in interest payments. Restructuring agreements often use unrealistic 20 year farming plans for farmers who will not live long enough to carry those plans out. Older farmers can neither afford these expensive leases and buy-outs, nor can they expect to live up to agreements which involve 20 years of additional farming.

--We recommend that Congress create a special provision in the 1990 Farm Bill to deal with the special situation of our elderly farmers. The Ag Committee should examine the relative cost of providing subsidized housing and other social program benefits to displaced senior citizen farmers and compare this with the costs of allowing these farmers to stay in their homeplaces with an ability to provide some of their own food and income.

COMMODITY PRICES AND INVENTORY

All the credit legislation in the world can only provide temporary relief if farm income does not improve. One method of improving farm income is to increase the price farmers get for the commodities they produce in the marketplace. Recent USDA reports show that the prices for many farm commodities is still lower than the cost of producing those commodities.

Historically, the price paid by food processing and distribution companies to the farmer corresponds to the level of the loan rates which are set by Congress. Raising the loan rate would increase the prices paid to farmers by companies, at the same time reducing taxpayer costs for farm programs. Taxpayer costs have risen to $124 billion during the last 7 years. They are primarily expended as deficiency payments or subsidies when the prices given farmers in the marketplace fall below the cost of production. The lion's share of farm income in the last decade came from government payments, not from the marketplace.

In North Carolina we have experienced the success of the Peanut and Tobacco programs. Both are based on a fair price in the marketplace with controls over supplies that better match the need and demand for the product. In these programs farmers are given marketing quotas and an annual price is set above the cost of production. Thus these farmers are much better able to plan and make key management decisions knowing the price and demand for their commodity is clearly stated.

--We recommend that Congress create, in the 1990 Farm Bill, a national policy for dairy, grain, and other storable commodities that is similar to our tobacco and peanut programs, one that manages inventory to cover domestic and export needs, is adequate to meet food assistance and emergency needs, while providing an adequate income for the farmer through sales in the marketplace, not from taxpayer pockets.

--We further recommend that changes in commodity programs be approved by farmers in a referendum on these programs. We strongly recommend this right to vote on the programs that most affect a farmers' livelihood.

LOW INPUT SUSTAINABLE AGRICULTURE

Another means by which Congress can improve farm policy and the viability of family size farm operations is to remove the barriers and create incentives for less expensive, more ecologically sound farming practices.

Present government programs discourage the use of less chemically intensive farming practices. Farmers who rotate crops are penalized by losing part of their commodity base. Farmers who produce less yield per acre because they use less chemicals per acre, are also penalized by loss of commodity program benefits.

FmHA and FCS discriminate against farmers who use LISA practices. Farm and home plans are rejected and loans or servicing turned down when farmers propose using less chemically intensive management practices.

--We recommend that these barriers in lending and allocation of base be removed.

Technical assistance is needed for farmers who wish to change to LISA practices. The Southeast is one of the most difficult regions to make this transition due to our soils, and climatic conditions. We understand that there are several bills currently in Congress that call for developing technical guide books for farmers who want to make this transition.

We recommend that these guides to LISA practices be developed by panels of practicing sustainable farmers with a record of success and who are located in the regions in which the guides will be used. These guides need to developed on a regional, and some cases State by State basis to truly reflect the needs and obstacles that farmers in that area face.

We are also concerned about the lack of current Ag Extension infrastructure, and expertise to be able to adequately serve this growing segment of American agriculture. Government funds need to be used to encourage transition to less expensive and safer practices.

--We recommend that the LISA USDA grant program be continued with full requested funding. The primary recipients need to be the farmers themselves so as to encourage more on-farm experimentation and research.

--We recommend that successful LISA farmers be able to consult, contact and make recommendations to 1890 institutions, and extension services to help develop that expertise, and infrastructure needed to serve these needs. Increased funding will be needed to address this important area of technical assistance.

--We recommend that practices such as the use of green manures as an alternative to chemical fertilizer, be cost shared by the farmer and the government.

During the transition from chemically intensive farming to LISA, farmers may experience a reduction in yield for several years.

--We recommend that a farmer reserve be established to provide in kind assistance to farmers who suffer crop yield production while making the switch to LISA practices.

We are also concerned about the needs of growing numbers of farmers who do or wish to sell their products as certified organic. We do recognize the need for national definitions, and standardization, but we are concerned about the loss of status, and tenure of the existing pioneering grassroots farmers organizations who are currently serving this function.

--We recommend that certification process be handled on a state-level with existing groups being grandfathered in. and given first priority for fulfilling this role in peer consultation with state department of agriculture.

--We recommend that if a national board of organic growers, and marketers is established that independent petitions for nominating representatives is given a priority over appointed nominations. This will insure grassroots participation, and that this is truly a peer represented board. Also that this board be given sufficient powers to determine national standards. This and all other major decisions should be approved by referendum of the growers.

We also recommend that genetically engineered ag inputs not be considered as acceptable organic practice until much more research, and consumer and farmer debate is initiated.

DISADVANTAGED AND MINORITY FARMERS

North Carolina is blessed with a diversified farming population. Not only do we grow a variety of crops but we also have black, white and Indian farmers. While N.C. mirrors the national trends in the loss of minority farmers (approximately 2 1/2 times the rate of loss of that of white farmers), we still have a substantial minority farming population. Between 4000-5000 of the states farmers are black or Indian. Yet the losses are alarming. In 1920 one in seven farmers was black, today one in 67 is black. The U.S. Civil Rights Commission predicts that by the year 2000 there will be no black farmers in North Carolina or any other place in the U.S. if the trend is not reversed.

We recommend that Congress incorporate in the 1990 Farm Bill, provisions to protect the present minority farmers, enable others to re-enter farming, and create new farming opportunities for minorities including the following provisions:

--Expand the target participation rates for government lending and other USDA programs. The 1987 Ag Credit Act initiated the use of target participation rates as a method for balancing the availability of government funds for farm ownership loans with the need and size of the minority population in states and counties. We recommend that this be expanded to include certain USDA programs as well.

--We recommend the creation of a land registry for minority held land, similar to that now in operation for historic lands and wetlands. This would serve to track the minority held lands, encourage transfer within minority communities, and monitor losses and gains.

--The Office of Advocacy and Enterprise presently serves in limited ways as a watchdog for USDA programs, monitoring minority participation and program enforcement. We recommend that this agency's resources and authority be expanded.

--The current number of minority youth in farming is alarmingly low. We recommend that Congress create incentives and outreach programs for minority youth to become involved in farming.

CONTRACT FARMING

The central farm enterprise for many North Carolina farmers is poultry. Most poultry farming is done under contract. While receipts for poultry production in the state rivals that of tobacco, many poultry farmers are experiencing difficulties in getting paid well or on time and have much insecurity about the continuation of contracts from flock to flock.

Congress has protected other livestock producers through the Packers and Stockyards Act. The right to be paid, paid on time and basic contract protections are provided for in the P & S Act.

--We recommend that poultry growers also be covered under the protections of the Packers and Stockyards Act.

--We also recommend that USDA disaster programs be improved to provide assistance and compensation to poultry growers who lose birds due to heat, drought, hurricanes, and tornados. Present policies give disaster benefits such as feed certificates to the poultry companies with whom the farmers contract, leaving the poultry farmers who have suffered the actual losses of birds and income without assistance.

BIOTECHNOLOGY

Technological developments hold both great and grave promise for family size farmers. While there are many potential benefits for farmers from advances in biotechnology, we are very concerned about the lack of independent research or evaluation with citizen and farmer input. There are possible violations of proper protocol in determining which products are truly needed, and are indeed safe. Socioeconomic assessments need to be evaluated on an equal basis with any potential technical benefits.

One biotech development, sBGH (synthetic Bovine growth Hormone), now under consideration by the FDA, promises to increase milk production by up to as much as 20 - 30 %, but according to the Cornell University study could reduce dairy farmers by a similar amount. Also, there continues to be concerns from veterinarians, farmers, and consumers alike over the lack of multi-generational, multi-lacational independent research on animal health impacts. The lack of human health studies on this synthetic product is also a major concern.

We recommend that Congress use its oversight powers to establish mechanisms for assessing social and economic impacts on family farm agriculture prior to introduction of biotech agriculture products.

We recommend that Congress carefully review FDA's process of approval and allow additional time for research and citizen debate before the final introduction of the sBGH.

INTERNATIONAL TRADE

We are concerned about the current US trade proposal to the (GATT) General Agreement of Tariffs and Trade. Our concerns are about the impact on Dairy, Beef, Rice, Tobacco, and Peanut programs, as well as the prohibition of similar types of programs for other commodities in the future. We are also concerned about the U.S. proposal to preempt local, state, and federal laws concerning health and safety standards. This could prevent states, or nations which wish to have higher food, and safety standards that is agreed upon by the GATT declared prohibited.

--We recommend that jurisdiction over U.S. agriculture policies should remain with the agricultural committees of the Congress and corresponding bodies in other nations. It is dangerous and inappropriate to make decisions on national food security through non-elected officials such as the U.S. Trade Representative.

--We recommend that nations keep the right to develop and maintain domestic price support, supply management, and health and safety programs in order to assure stability and security for both their producers and consumers. We recommend that the GATT develop a negotiated end to the harmful practice of export dumping. It should not be a at the expense of domestic price and supply management programs.

We greatly appreciate the opportunity to present our views to the House Agriculture Committee. If you would like to contact us for further information or comments, please do so.

For family farms and safe food,

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ASLA

OPEN COMMITTEES

COMPUTERS IN LANDSCAPE ARCHITECTURE

DESIGN-BUILD

HISTORIC PRESERVATION

HOUSING

INTERIOR LANDSCAPE

INTERNATIONAL PRACTICE

LANDSCAPE AND LAND USE PLANNING

PARKS AND RECREATION

RECLAMATION

RESIDENTIAL LANDSCAPE DESIGN

RURAL LANDSCAPE

URBAN LANDSCAPE

TESTIMONY OF EMILY CRUDUP, ASLA
ON BEHALF OF
THE AMERICAN SOCIETY OF LANDSCAPE ARCHITECTS
BEFORE THE HOUSE AGRICULTURE COMMITTEE
FIELD HEARING
ON THE 1990 FARM BILL
JANUARY 29, 1990

Mr. Chairman, my name is Emily Crudup. I am a member of the American Society of Landscape Architects (ASLA) Rural Landscape Open Committee.

I am also appearing before you today on behalf of Duane Coen, ASLA, President-Elect of the North Carolina Chapter of the American Society of Landscape Architects, and editor of the national newsletter "The Rural Landscape" published by ASLA's Rural Landscape Committee. This newsletter provides a forum for landscape architects and other disciplines and organizations with an interest in agriculture and rural landscape matters. I would like to thank you for the opportunity to appear before you today to present ASLA's position on the proposed 1990 Farm Bill.

The American Society of Landscape Architects through it's Rural Landscape Committee has an active and growing interest in the Rural Landscape. The ASLA adopted the following policy on the rural landscape in 1985:

The American Society of Landscape Architects recognizes rural landscape as a complex of ecological, economic and cultural qualities on which human and other life forms are dependents. The Society considers the continued loss and misuse of the rural landscape unwise and threatening to present and future generations.

The Society is committed to the advancement of the public's awareness, understanding and appreciation of the rural landscape as a limited resource which is *vital to the health, safety and welfare of the earth's lifeforms.*

The Society affirms its belief that the essential qualities of rural landscape can be conserved, while accommodating human needs, through sensitive integration of human land uses with natural systems.

The Society encourages the application of sound principles and practices of wise land use planning, design and management to ensure conservation of the rural landscape for the benefit of future generations.

Many of us enjoy the farm and forest patterns, rolling hills, creeks and rivers as we travel from one town to the next. This enjoyment and visual delight is satisfying to both rural and urban people alike. The satisfaction is due to the aesthetic quality of the rural landscape. While the scenic quality of the rural landscape provides enjoyment, many of us also enjoy the appearance of good stewardship in the countryside. The rural landscape can be attractive because it is scenic or because it shows good stewardship. The 1990 Farm Bill could 1) protect scenic rural landscapes, and 2) create more attractive rural landscapes by making American farmland a more vivid demonstration of good stewardship.

Aesthetic conservation of the rural landscape is a complementary partner to soil, water and habitat conservation objectives recognized in the 1985 Food Security Act. It is ASLA's position that the protection of aesthetic quality should be included along with other conservation objectives within the Conservation Reserve and Conservation Easement Programs.

Including aesthetic quality as a goal of the 1990 farm bill directly benefits other components of the bill. It can promote farmer participation in the conservation programs, support rural economic development, help maintain open space in close proximity to urban areas, and will enhance the ecological diversity of rural landscape.

Farmer Participation in Conservation Programs

Several years of research by professor Joan I. Nassauer at the University of Minnesota and others, has shown that farmers really care about how their land looks. CRP cover and habitat restoration under FSA 1985 has often looked neglected, mistaken for weeds or for poor care. If conservation practices are attractive and enhance the look of the land, then farmers are more likely to participate in the Conservation Reserve Program.

Aesthetic conservation could be used to target types of CRP lands. Types of lands enrolled under current high bid rates could occur on carefully selected, highly erodible smaller parcels. Smaller parcels would more attractively blend in to the agricultural landscape rather than overwhelming the existing landscape pattern. In addition, lands that are somewhat less erodible or that are adjacent to small, highly erodible parcels are highly attractive when noticeable conservation practices like stripcropping or terraces are used. This kind of economic use that demonstrates good stewardship could be eligible for a broader CRP at a lower maximum bid rate. Finally, fragile lands that have never been cropped are often highly scenic. The good stewardship that has kept scenic bottomland, rocky outcrops or steep slopes out of cultivation could be recognized in a third tier CRP with the lowest maximum bid rate. This multi-tiered CRP would respond to farmer's concerns with the existing program and would also maintain the aesthetic value of the landscape.

Rural Economic Development

Aesthetic conservation is an important component of tourism and rural economic development. Driving through the countryside to pick your own strawberries, or tag your own Christmas tree, or visit the small town festival can be motivated as much by the experience of getting there and being in the countryside as by the need to purchase local produce. Aesthetic conservation in the rural landscape might lead to the development of new economic pursuits that help rural areas retain their essential character. These pursuits might include hiking, biking, skiing, boating, hunting, fishing and rural bed-and-breakfasts.

Maintaining Open Space

As we leave Raleigh or Charlotte or Fayetteville we notice a distinctly different landscape. Aesthetic conservation near urban centers becomes a particularly important factor relating to the urban quality of life. If scenic qualities of rural landscapes are protected and more attractive conservation landscapes are created by designing conservation lands so that good stewardship is immediately noticeable and cannot be mistaken for neglect, the open space resources of urban areas will be protected and extended at the same time. Clearly, urban and rural people share an interest in farmland not only when they shop for groceries, but also when they enjoy the open landscape. We must protect farmland and we must protect its aesthetic quality if it is to serve as an open space resource.

Ecological Diversity

Ecological diversity embraces the need for a varied landcover pattern. Although there is much disagreement about when accelerated global warming will occur, almost everybody agrees that planting trees is the least expensive and most effective solution. Including trees and other native plantings into the landcover pattern and extending the range of ecological preserves will tap the potential for increased ecological diversity within the fabric of agricultural land use.

Both aesthetics and biology benefit from a varied landcover pattern. Species protection and dispersal requires a varied landcover pattern, and a boldly varied pattern is attractive in itself. Coupled with the purpose of good stewardship, such landscapes are highly attractive. Both concepts suggest that we should extend the purview of good stewardship beyond lands that have been previously cropped and include lands that are currently cropped.

The failure to address aesthetic conservation more comprehensively in the 1985 Farm Bill was a real loss of opportunity. As management prescriptions were developed for the more than 30 million acres in the Conservation Reserve and potential easements on FmHA land, aesthetics could have been considered at the same time as soil and water habitat conservation. CRP land could be not only ecologically sound but attractive in a way that helps people appreciate it's ecological quality. Our hope is that this opportunity will not be lost as the 1990 Farm Bill is developed and implemented.

Mr. Chairman, it has been a great pleasure to appear before you today. I would be happy to respond to any questions that the committee may have now or in the future.

Mr. Chairman, along with this statement, I would like to include the following materials for the record:

"Position Paper for the ASLA Policy on The 1990 Farm Bill."
"Implementation Concepts for the ASLA Policy on The 1990 Farm Bill."
"The Aesthetic Benefits of Agricultural Land" by Joan I. Nassauer.
Letter of support from the ASAE Countryside Engineering Committee.

(Attachments follow:)

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POSITION PAPER - 1990 FARM BILL
AESTHETIC QUALITY CONSERVATION

The American Society of Landscape Architects (ASLA) urges that protecting the aesthetic quality of the rural landscape be included with other conservation objectives of the Conservation Reserve and Conservation Easement Programs. Our proposal recognizes the relationship between aesthetic quality and good stewardship. We suggest that aesthetic quality encompasses the noticeable appearance of 1) soil and water conservation practices, 2) sustainable agriculture practices, and 3) respect for ecological value and unusual natural features.

Aesthetic conservation supports related conservation objectives, but it adds explicit recognition of public benefit from the appearance of attractive rural landscapes as a basis for tourism, local recreation, and simply as a basis for the quality of daily life. It also recognizes that many farmers make management decisions in part because of the way their farms will appear.

To conserve and enhance the aesthetic quality of agricultural landscapes, we suggest that the 1990 Farm Bill target Title 12 and Title 13 to provide additional incentives to farm management. We propose that:

1) Additional lands become eligible for the conservation reserve and conservation easement programs for their aesthetic quality - that is, good stewardship is immediately apparent. Attractive landscapes may very well include lands that are not highly erodible and lands that have never been cropped.
2) All land that is enrolled in CRP or easements be managed in an interdisciplinary framework to meet aesthetic as well as soil and water conservation and habitat criteria.

ASLA suggests that our proposal for aesthetic conservation will:

a) relax restrictions on cropping of some types of enrolled land, if cropping noticeably demonstrates good stewardship,
b) increase the overall biotic diversity of agricultural land,
c) recognize the efforts of farmers who have been using good stewardship regardless of the erodibility of their land or cropping history,
d) increase the area of land managed for soil and water conservation and habitat quality, and
e) create immediate societal benefits to rural and urban citizens by enhancing their aesthetic experience of the rural landscape.

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IMPLEMENTATION CONCEPTS
for the
ASLA POLICY ON THE 1990 FARM BILL

The American Society of Landscape Architects (ASLA) seeks to introduce AESTHETIC CONSERVATION as a complementary partner to soil, water, and habitat conservation objectives of the 1990 Farm Bill. The ASLA Position Paper on the Farm Bill details AESTHETIC CONSERVATION and testimony submitted to the House Agriculture Committee on July 13 discusses its public benefits. This brief summarizes several alternatives for implementing AESTHETIC CONSERVATION.

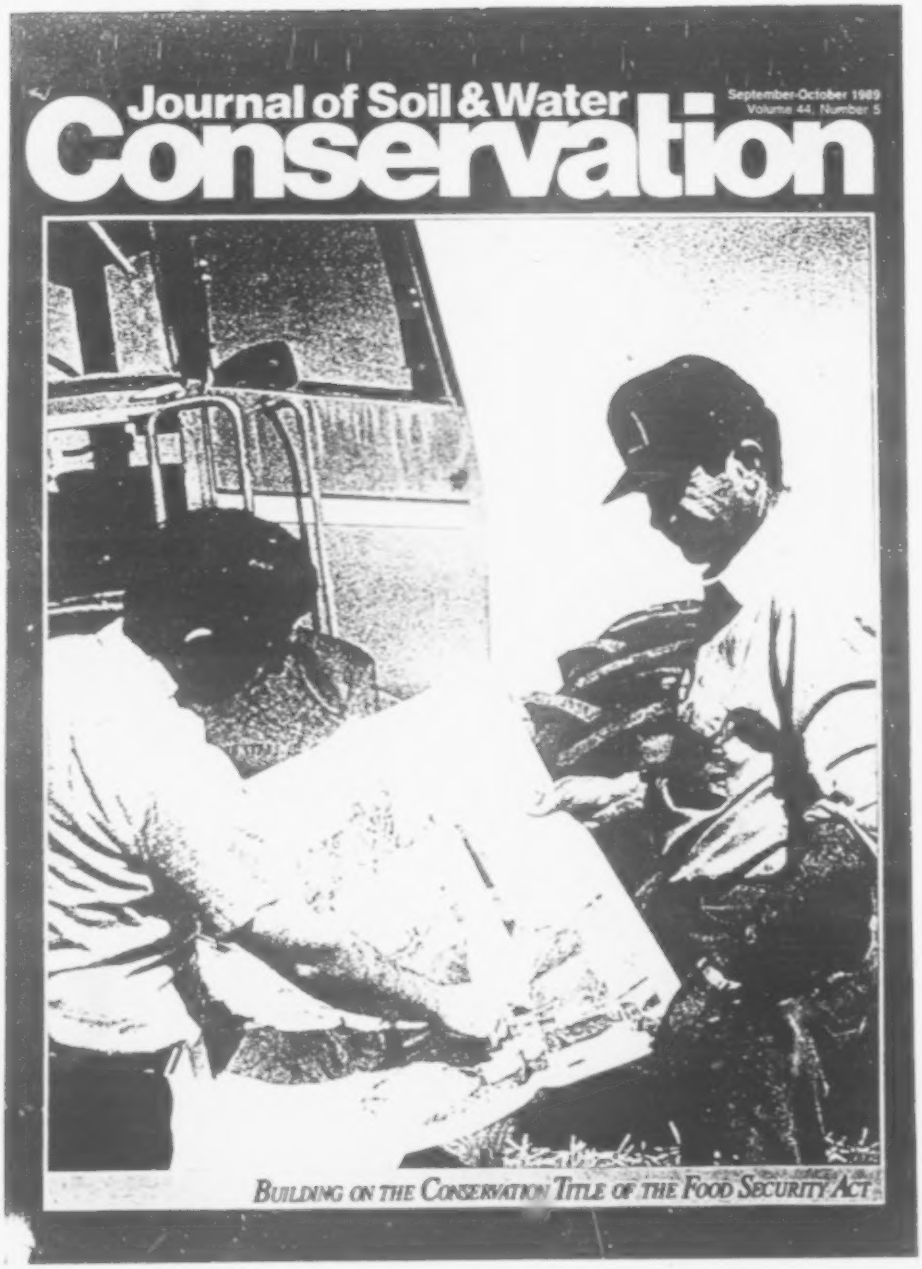
First, AESTHETIC CONSERVATION offers an additional criterion for conservation parcels enrolled in the CRP or dedicated under 1985 FSA easement provisions. This will increase the effectiveness of 1990 Farm Bill expenditures by achieving a highly attractive appearance on the same parcels that are being dedicated to conservation for habitat or soil and water quality purposes. The weedy, neglected appearance of CRP/conservation easements has often concerned landowners. Public appreciation of conservation planting and management implemented to date has been limited for the same reason. AESTHETIC CONSERVATION will heighten farmer and community acceptance of CRP/conservation easements.

Second, AESTHETIC CONSERVATION can be achieved by more flexible management, including some economic use of selected types of conservation parcels. People find the look of highly visible conservation measures, like stripcropping, contour planting, windbreaks, grassed waterways, and grassbacked terraces, highly attractive in their own right. Production with these kinds of conservation measures yields an aesthetic benefit. Similarly, more ecologically diverse conservation patches, like riparian corridors and restored wetlands, advocated under FSA 1985, will yield an aesthetic benefit if they are integrated into the larger pattern of well-kept production agriculture. The visual effect of combining both full utilization of traditional conservation practices and selective dedication of patches within a field to more ecologically complete plant communities will be a more varied and attractive landscape pattern.

Within a field, land for each level of management (traditional conservation practices and ecologically diverse patches) can be identified by soil type (where soil loss goals could be achieved without complete perennial cover) and further targeted by visibility and attractiveness to local people. We suggest that economic use of AESTHETIC CONSERVATION parcels can be further targeted to regions that do or could derive economic benefit from the aesthetic quality of agriculture.

Third, AESTHETIC CONSERVATION can be a key rationale for including land that does not have a crop base in the CRP. Lands that farmers have considered too hilly or wet to cultivate often have a highly scenic character. AESTHETIC CONSERVATION can be an incentive to their continued good stewardship. Scenic areas, identified by specific objective criteria, could be used to broaden criteria for enrollment in the CRP and to fully realize the potential of conservation easements under Title 13.

We stress that including AESTHETIC CONSERVATION as an objective of the 1990 Farm Bill will increase acceptance of CRP and easements by farmers and increase appreciation of soil, water, and habitat conservation by all taxpayers. The several targeting ideas presented above are essentially options for positioning aesthetics to complement other objectives of the 1990 Bill.



Journal of Soil & Water Conservation

September-October 1989
Volume 44, Number 5

BUILDING ON THE CONSERVATION TITLE OF THE FOOD SECURITY ACT

Agricultural policy and aesthetic objectives

[illegible]

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cidentally, those states that identify open space benefits of farmland are clustered within the most heavily urbanized regions of the country: the Pacific Coast and New England. While open space can be interpreted as a surrogate for aesthetic concerns, Maine's state farmland protection law explicitly addresses scenic values.

To tfie 97 percent of Americans who are not farmers, the rural landscape is the primary setting for the most popular recreational activity in the country, driving for pleasure (*8*), as well as numerous other recreational pursuits. While the rural economic benefits of hunting and fishing are supported by habitat protection and creation in the Food Security Act of 1985, these activities are only part of the recreational mix that brings urban residents to rural areas. The aesthetic quality of the landscape is a fundamental component. City people don't drive to U-pick operations or roadside produce stands only to buy fruit and vegetables. They drive to the country to be in the countryside. The increasing popularity of bed-and-breakfast enterprises and recreational trails, where the public owns only a path through a privately held countryside, are further evidence of the economic development potential of rural landscapes.

A basis for aesthetic objectives

What is the aesthetic quality that farmers try to create and that we all enjoy? The easiest answer is to claim that beauty is in the eye of the beholder and conclude that aesthetics is not a policy issue. Yet ample precedents exist for federal policy on landscape aesthetics, beginning with the Highway Beautification Act in 1965 and clearly stated in the National Environmental Policy Act of 1970, which "assure[s] for all Americans aesthetically and culturally pleasing surroundings."

In fact, people have widely shared ideas about what makes landscapes beautiful. Beauty is a community-based concept (*3*), that is, people who have similar experiences (farmers or people who live in a particular region) have similar ideas of landscape beauty. We can say a lot about what makes rural landscapes beautiful if we include people who are familiar with an area in the discussion.

Three themes

My own investigations of rural Midwesterners' perceptions of landscape aesthetic quality suggest that there is ground for establishing rural aesthetic quality policy and that aesthetics may be intimately bound to larger concepts of stewardship. In projects in Illinois and Minnesota, rural residents were interviewed and asked to describe rural landscapes (*4, 5, 6, 7*). Using these in-depth interviews and content analysis of interview transcripts, aesthetic terms were derived to describe the landscapes. The aesthetic terms became the factors upon which landscapes were analyzed.

The terms used to describe what made landscapes attractive or unattractive can be summarized by three dominant themes: scenic quality, neatness, and stewardship. Each of the three themes expresses aesthetic quality, but each takes a different form in the landscape. While terms associated with traditional concepts of scenic quality, such as curved, expansive views, and picturesque, were used to describe some landscapes or landscapes at particular times, neatness terms, such as no weeds, mown, and well-kept, were used frequently. Two types of stewardship terms were frequently used: those describing naturalness, such as habitat and native, and those describing soil and water conservation, such as stripcropping and no erosion. In a Minnesota project both types of stewardship terms taken together were used with frequency about equal to that of either scenic quality or neatness terms.

The three aesthetic themes have some intrinsic differences that are important to aesthetic objectives for agricultural policy. While scenic quality largely depends upon geomorphological properties of the region, such as steep slopes and stream corridors, that a farmer does not control, neatness and stewardship depend upon the activities of the farmer. A further critical difference between neatness and stewardship is that neatness is intrinsically visible. By keeping things neat, farmers show that they work hard and take good care of their farms. Stewardship may

Rank of thematic descriptors and related aesthetic terms used by Minnesota research participants (*4*).

Thematic Descriptor	*Landscapes Sampled* *	*Related Aesthetic Terms*
Scenic	307	Season, beautiful, color, curved road, expansive, hills, lakes, stream, pond, lights at night, outcrops, overlooking, peaceful, picturesque, pleasant, pretty, river valley, secluded, skyline of the city in the distance, sunset, clouds, the sky. Houses loom above, houses not far enough away from each other, houses stand out too much, houses too close together, you can see the houses, too formal, too much concrete, commercial development, too many houses or mobile homes, transmission lines.
Neatness	301	Clean, neat, put away, mown, new, no weeds, white. Cluttered, construction going on, junk, messy, weedy.
Naturalness	173	Development blends in, habitat, native vegetation, natural, trees, wildlife. Bare, flat, monotonous, no trees.
Care	152	Cared for, maintained, well-kept. Abandoned, neglected, no house on a farmstead site, not well-kept, old.
Conservation	138	Conservation, contour plowing, no erosion, pasture, stripcropping, terraces, windbreaks. All planted to corn, effluent from feedlots, poor water quality, erodible land plowed, erosion, no conservation practices being used, not a good job of farming, pastures overgrazed, plowing up the hills, runoff, slimy-looking water.
Yard care	137	Big yard, fences, flowers or shrubs, homes, landscaped, lawn ornaments or architectural details, trees in rows. No flowers, no shade, not landscaped, not mown.

not always show, especially if one does not know what to look for. While farmers who leave a few weeds in their fields or plant entire fields to perennial cover may be demonstrating care more profoundly than their neighbors who have weed-free rows of corn, their neighbors may not be able to appreciate their hard work and good care.

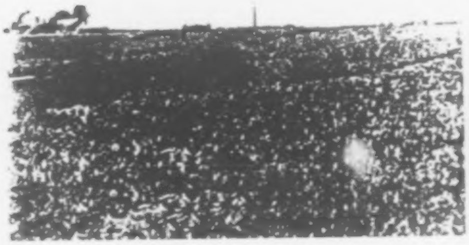
Scenic quality. Of the three themes, scenic quality will be most apparent to tourists and it relates most directly to economic development opportunities. Scenic quality often is apparent in landscapes that have a mix of land suitable for cultivation and land that farmers might describe as "not meant to be farmed," too steep, or too wet for farming. Where farming has respected limits imposed by natural features, introducing cultivation sparingly, the landscape is often scenic.

People interviewed in the Midwest described scenic beauty using such terms as curving roads, colorful leaves, expansive views, a skyline in the distance, sunsets, and being down in the valley. These terms coincide with widely shared western cultural conventions of landscape beauty. One need not live in a region to recognize this kind of aesthetic quality. At the same time, farmers interviewed recognized scenic quality in their own region and saw it as distinct from the beauty of good, productive land. Describing an Illinois nature preserve seen in a slide, one farmer said, "If one likes wilderness, that's an example of it. Let it grow like that." Another observed, "This is the type of place where people go to get away. I think of the North Woods."

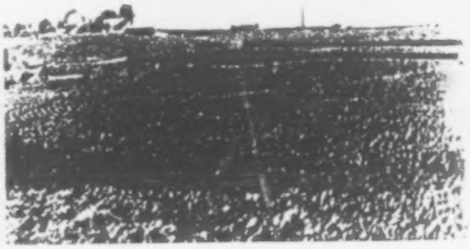
Neatness. This aesthetic theme traditionally is associated with good farming. The fact that farmers have control over and responsibility for the neatness of their land

Computer-based image capture technology shows how one landscape scene, in this case a farm field in southeastern Minnesota, might look under five different land cover patterns.

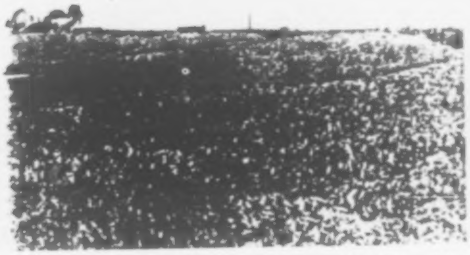
Under complete cultivation, good stewardship is not immediately visible...



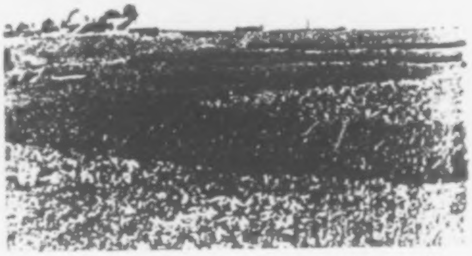
...with flowering plants in the seed mix, CRP cover on the same landscape would be attractive to many people...



...stripcropping would be a recognizable sign of good stewardship and local people likely would find it attractive...



...a mown filter strip with selective mowing along the roadside makes an identifiable pattern of care in the CRP cover...



...strips of perennial cover could be integrated with traditional conservation practices that allow production.

helps to explain why neatness looks attractive. Neatness is an intensely human form. By keeping farmsteads and fields neat, farmers also express a concern for their neighbors and the appearance of their neighborhood. Unlike scenic quality, neatness shows what the farmer has been doing; it reflects on the farmer.

Agricultural landscapes that people described as neat were characterized by straight rows, the absence of trees, the absence of weeds, and mown roadsides. A related but not identical concept is productivity. Productive fields often were described as neat, but other landscapes, such as roadsides or farmsteads, also were attractive for their neatness. Farmsteads and rural residences described as neat are well-maintained (buildings recently painted, new or highly functional agricultural buildings); grass is mown; trees, shrubs, flowers, and often, fences and lawn ornaments are included on the site. Equipment is not left outside; any buildings not being used have been taken down. Interview participants suggested that a neat farmstead indicated that the farmland itself was well cared for.

Stewardship. This theme is like neatness; it also reflects on the farmer. However, stewardship is not always noticeable, for example, broad-base terraces. Many conservation practices demonstrate no visible control by the farmer. They may even be mistaken for neglect. No-till farming, wetland restoration, and perennial cover on CRP land are examples. In contrast, conservation practices that are immediately attractive, such as stripcropping, create bold patterns. They demand attention and inspire curiosity—and they look controlled and neat. Stripcropping can be attractive because of its massive, colorful stripes or because it looks neat, even if one does not understand why it is there.

At the same time wetlands and unmown roadsides exemplify natural areas described as attractive by some rural Midwesterners. More than one explained their preferences for natural-looking landscape features by referring to the ecological function of the features—for habitat or to the ecological aesthetic that Aldo Leopold advocated (2). It requires knowledge of the ecological processes represented by a landscape. A quote from an Illinois farmer looking at a slide of a natural area exemplifies the effect of knowledge: "That's pretty, but there are some dead trees. I used to dislike dead trees. It depends on if it's part of a natural process."

Implications for agricultural policy

If the CRP concept is implemented to achieve conservation, along with wildlife habitat, water quality, and soil conservation objectives, it will at the very least use the public investment in agricultural conservation more efficiently. The same trees and perennial plants installed on CRP land under the Food Security Act of 1985 also could have served the broader purpose of achieving a more attractive countryside. If CRP is implemented so that the indivdual parcels look well-maintained and stewardship is clearly visible, both their owners and anyone who travels by will realize a greater benefit. Beyond this immediate possibility, each of the aesthetic themes has policy implications that could be realized in distinct ways.

Economic incentives may be paramount in farmers' decisions to participate in the CRP, but designing CRP land to look neat supports those economic incentives. Farmers are more likely to participate in a program that enhances the look of their farms. While it may be difficult to imagine a tidy wetland or meadow, several design strategies might be used to make it obvious that such land is not neglected (6). For example, in West Germany, where new fencerows and roadside perennial vegetation are being introduced, landscape architects have found that including flowering plants in the seed mix enhances public appreciation of the changed landscape (1). Fences, signs that explain the ecological purposes being achieved and recognize the work of the landowner, and selective mowing also help to show that natural areas are not being neglected. Special attention should be given to the view from roads and highways.

The aesthetic value of good stewardship depends upon whether people can tell that they are looking at planned conservation practices. The careful design of natural looking conservation measures, such as perennial cover on CRP parcels, is only one way of making conservation obvious. Other conservation that incorporate production, such as stripcropping and terraces, are recognizable easily because of their bold patterns. A two-tiered CRP system that allows limited haying or cropping on parts of some fields could create bold, recognizable patterns. Designating patches of the most erodible land within a CRP field for perennial cover and identifying appropriate traditional conservation measures for the remainder of the field could enhance aesthetic values in some regions.

The land cover patterns that make stewardship noticeable could support biological diversity. An extensive, connected network of linear patches of perennial cover made from parts of fields would provide for greater species movement than if the same area of land were set aside in isolated, disconnected fields. In the face of global warming, linear patterns of perennial cover may provide greater geographic range for both plant and animal species. Managed for this pattern of diversity, conservation and cultivation may be compatible as well as beautiful. The dairy region of the upper Midwest and the great fallow strips of the Plains States show the potential for this kind of beauty.

The scenic quality that tourists appreciate most often is the result of farming around outstanding natural features. Land that has never been cultivated or where cultivation has been abandoned for some time is an essential part of the land cover matrix that creates scenic quality. Aesthetic conservation could be a credible rationale for rewarding "good farmers," those who did not build their crop base by cultivating steep slopes, draining wetlands, or abandoning rotations on erodible soils. Enrolling scenic land in a third tier of the CRP would recognize wise land management decisions and protect a basis for local economic development. New England rural landscapes, rolling and laced with forest cover, come to mind.

Certainly, the CRP is not the only instrument for incorporating aesthetic objectives in agricultural policy. Easements authorized under Title 13 of the Food Security Act of 1985 also have great potential for incorporating aesthetics. Farmland protection laws in several states clearly acknowledge that rural landscapes are not only used by people but also enjoyed by them. Such legislation is only pragmatic in protecting the public benefit and economic development opportunities that depend upon the look of rural landscapes.

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JAN 16 1990

THE OHIO STATE UNIVERSITY

Department of
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590 Woody Hayes Drive
Columbus, OH 43210-1057

Phone 614-292-6131

January 10, 1989

Deborah Mattar
American Society of Landscape Architects
4401 Connecticut Ave. NW, Fifth Flr.
Washington, D.C.   20008-2302

Dear Deborah:

I would like to express the support of the Countryside Engineering Committee of the American Society of Agricultural Engineers in the 1990 Farm Bill Aesthetic Conservation Initiative.

The objective of enhancing the noticeable appearance of land enrolled in CRP or easements is very much in line with the efforts of the Countryside Engineering Committee. ASAE members' continued work in the development of new engineering practices for the rural landscape, reclamation of disturbed lands, land application of waste, and sewage treatment, that are shared through the Countryside Engineering Committee, will be enhanced by the Aesthetic Conservation Amendment to the 1990 Farm Bill.

We agree that improving the appearance of conservation practices will increase their adoption and improve the quality of life in rural areas.

Sincerely,

Karen Mancl

Karen Mancl, Chairperson
Countryside Engineering Committee
American Society of Agricultural Engineers

KM: rb

c: Committee Members
Soil & Water Director

A HARD LOOK AT USDA'S RURAL DEVELOPMENT PROGRAMS

THE REPORT

OF THE

RURAL REVITALIZATION TASK FORCE

TO THE

SECRETARY OF AGRICULTURE

June 30, 1989

EXECUTIVE SUMMARY

During the 1980's, the rural economy had difficulty keeping pace with national economic growth. While temporary problems in key rural industries affected many parts of rural America, the slow pace of rural economic recovery reflects more fundamental problems of being rural--small size, isolation, an unskilled workforce, and a lack of institutional support. Cyclical recovery alone will not solve rural America's problems. Without structural adjustments to enhance its productive potential, the rural economy will continue to lag and many more rural residents will be forced to leave their hometowns.

Rural areas' most critical need is to develop the capacity to be economically competitive in activities that return higher incomes. To achieve this goal requires a strategic approach to rural economic development.

The Revitalization Task Force identified a number of actions, within current budgetary resources and without major organizational restructuring, that would improve the effectiveness of USDA's contribution to a stronger rural economy. These center on focusing USDA's rural mission and developing a strategic approach to rural development. Though individually valuable, USDA's programs can be made mutually supportive and refocused to promote long term economic development, not just program-specific intermediate objectives. USDA should begin by committing itself to rural development as a major Departmental mission. USDA should articulate a clear goal for rural development and base its policy decisions on this goal. It can also take steps to strengthen its capacity for effective and concerted program action.

Rural Development Goals

There is no single rural policy for the United States. Throughout the governmental system, rural development programs operate without clearly stated and understood goals. As a result, rural policy at all levels of government consists of a collection of programs that, however useful individually, do not add up to a coherent and consistent strategy to achieve any well-understood goals.

Rural policy at all levels of government consists of a collection of programs that, however useful individually, do not add up to a coherent and consistent strategy to achieve any well-understood goals.

The key concepts that underlie rural development policy rural economic growth, economic development, and quality of life--are poorly understood and are often confused in general use.

Rural economic growth is not the same as economic development, though the two concepts are closely linked. *Growth* refers to the expansion of total economic activity within a local economy, usually defined as an increase in the total amount of income and employment in the economy. Economic growth is often accompanied by population growth. Efforts to promote growth usually focus on direct job creation, giving little consideration of the longer term consequences of the methods used to produce them. Many job creation programs embody subsidies of one sort or another that create growth only during the time they are in operation.

Economic development refers to a fundamental and sustainable increase in the productivity of individuals and institutions, leading to improvements in per capita incomes of local citizens. Subsidies for direct job creation have a very limited role in promoting economic development.

By contrast, *economic development* refers to a fundamental and sustainable increase in the productivity of individuals and institutions, leading to improvements in per capita incomes of local citizens. Subsidies for direct job creation have a very limited role in promoting economic development. Rural policies emphasizing development focus on sustainable improvements in income generating capacity and take a long term perspective.

Many rural programs have *quality of life* improvements as their objective. Investments in facilities and services that are important to the wellbeing of rural citizens, such as health care, are typical. Quality of life improvements can be justified on their own merits to improve the welfare of rural people. However, the causal connection between quality of life investments and economic development is indirect and not well documented.

> *The causal connection between quality of life investments and economic development is indirect and not well documented.*

National economic competitiveness is now considered to be a major objective of Federal policy. Programs to stimulate rural economic *development* contribute to this objective by improving the productive potential of the economic resources in rural areas, including the labor force, industrial plant, natural resource base, and institutions. Programs to temporarily increase the demand for rural labor or subsidize private activities seldom add to economic productivity and thus should be undertaken only to assist the transition of a local area's economy.

A development focus would bring rural policy clearly into line with national economic policy. A major characteristic of the rural economy is the degree to which rural labor and other resources are employed in low-value applications. Developmental investments would attempt to raise national income by shifting these low valued resources into higher value uses.

There are some negatives associated with an economic development-oriented rural policy. Economic development is difficult and takes a long time to achieve. Given the relatively low skills in much of the rural labor force, the frequently inadequate institutional base, and the existing distribution of jobs, which provides little incentive for workers to improve their skills, significant income improvements in many areas will take years and perhaps generations to achieve.

Because resource endowments vary among areas, localities will also vary in the level of incomes that they can realistically achieve. Some areas have a reasonable potential to support much larger populations and much higher average incomes. In others, development may yield less improvement in income. In some cases, development will not be able to prevent further shrinkage in the population base.

* An increasingly important part of current discussions about rural policy relates to the aesthetic *value of the rural countryside* and the natural resource base. The national perception of rural resources is giving increasing weight to the scenic and recreational functions of rural areas. The rural countryside is seen as part of a national heritage to be protected and made available to all.

Congressional Hearing on the 1990 Farm Bill
House Agriculture Committee
Fayetteville, North Carolina
January 29, 1990

Statement by Nancy M. Barnhardt
Conservation Council of North Carolina
Post Office Box 21
Carrboro, North Carolina 27510
919/942-8991

The Honorable Charles Rose and
Members of the House Agriculture Committee:

I am Nancy Barnhardt and represent the Conservation Council of North Carolina. On a small scale, I farm in the mountains of Virginia and expect to farm full time within a few years. Because of this personal interest and because of the work I do with Conservation Council, I talk with farmers and consumers. Almost all say that they want more information and more choices from government agricultural programs.

Whether they use conventional farming methods with chemicals or farm with few or no chemicals, the farmers say they want independent family farming to be an economically-feasible option. Consumers say that they want independent family farms to be a part of the way of life of the regions in which they live.

Regardless of the way that they farm, farmers express concern about the risk of pesticide in groundwater, a risk substantiated by EPA. Consumers say they want to buy food that is pesticide free. Organic farming is an option that adapts to small and large farms, to full-time and part-time operations, to annual and perennial crops and to animal farming. Organic agriculture provides products for which there is a large and growing market and does so with less risk to the environment or to human health.

For several days last September I picked vegetables for an organic market grower in North Carolina. I did it because I enjoy the work and because I wanted to learn from this successful full-time farmer. He grows vegetables, herbs and flowers on two acres of terraced, raised beds. Except for occasional help with picking, he does the work himself. The only machinery he uses are a garden tiller and an old truck which he drives over the long, narrow growing beds to dump manure and mulching materials. He markets the produce himself, most of it to restaurants, at competitive prices. He does not charge more because the food is organically grown and certified, yet when I talked with him he had grossed over $20,000 and his fall season had not begun. Most of that would be profit because without chemical and large machinery costs, his overhead is low. Why has government policy stressed conventional farming methods which have here in North Carolina put thousands of farmers in debt, yet failed to tell farmers about this kind of low-cost growing?

Last week I atended a large conference held by the internationally-recognized School of Public Health at the University of North Carolina in Chapel Hill. Scientists from across the United States and Mexico reported on changes taking place in the environment and the effects of these changes. The speaker on global agriculture stated that one of the most significant ways that we can conserve energy is to put nitrogen into the soil with legume crops, rather than chemical fertilizers. He added that when we consider whether we can grow enough food in the future, one of the most important questions to ask is if the very seeds that might best adapt to future conditions are the seeds that we loose from dwindling plant diversity. Why have federal farm programs discouraged crop rotation? What is our government doing to protect our national heritage of old varieties?

We hear a lot about the genetic altering of seeds. Have we learned from our mistakes with pesticides or will we, with biotechnology, put more products on the market that have dramatic short term effects, but about which we do not know the long term consequences? Most pesticides in use have not been adequately tested and most of the testing has been on acute effects or carcinogenic effects. Why have farmers not been told that there is lack of data on the effects of pesticides on the immune system, on behavior, on the reproductive system and on the environment and that we do not know what the long-term results will be?

Farmers and consumers want information to make informed choices. Organic/sustainable agriculture is a choice that provides answers for many concerns and needs that people express. Thousands of farmers across the country who have broken with government recommendations and experimented with alternative farming have found what the National Academy of Sciences reported last September: "Reduced use of these inputs (chemical pesticides, fertilizers and antibiotics) lowers production costs and lessens agriculture's potential for adverse environmental and health effects without necessarily decreasing -and in some cases increasing- per acre crop yields and the productivity of livestock management systems."*

* Source: Alternative Agriculture, Board of Agriculture, National Research Council: National Academy Press, Washington, D.C. September 1989, 448 pages; p.9.

(Attachment follows:)

Post Office Box 21
Carrboro, North Carolina 27510
January 31, 1990

The House Agriculture Committee
Room 1301 LHOB
Washington, D.C. 20515

To The Honorable E. de la Garza and
The Honorable Charles Rose:

Thank you for the opportunity to speak on January 29th at the Fayetteville Hearing on the 1990 Farm Bill and for your comments and questions to our panel. Following is a more detailed reply to the question raised by Chairman de la Garza of who is responsible for groundwater contamination.

Pesticides are but one aspect of groundwater pollution and, as the Conservation Council of North Carolina has stressed, pesticides are an urban problem as well as a rural one. It is to the credit of farmers that they recognize that pesticides get into groundwater from normal agricultural use and that they voice concern about this risk. Consumers I talk with express concern about the risks of pesticides in food. Farmers, both those who do use chemicals and those who do not, say they are concerned about groundwater contamination.

Erick Umstead speaks of finding aldicarb in wells he tested several years ago and that NCDA did not give this information to the farmers whose wells showed contamination. In files at the Pesticide Division of NCDA, I have read many reports of human illness and dead animals following aerial pesticide spraying, with little evidence of follow-up by the department. North Carolina is beginning a program to monitor groundwater for pesticides. Yet critics of the adopted plan say that it is not set up to look where the problem is most likely to be found.

Low input sustainable agriculture is an option that addresses a growing consumer market for food that is free of pesticides and the concern that farmers voice about risks to groundwater and the problem of debt caused by high inputs. Chairman de la Garza correctly stated that farmers are free to pursue the type of farming they choose. Thousands have on their own learned to farm successfully without chemicals, yet the majority of farmers depend on their extension agents for information. Information from extension usually promotes chemical use even when information on organic methods is requested and available in the land grant universities.

Some researchers at N.C. State and at Virginia Tech have acknowledged to me the frustration they feel that organic research they have done has not gone out through extension and that they have been limited in such research because much funding comes from chemical companies, because there is an institutional bias toward chemical use and because the requirements for tenure discourage long-range research.

It is also true that organic agriculture is difficult to put into a formula and is far more than the reduction of chemical use. The foundation of organic growing is the building of the soil- its organic content, many nutrients, and the microbial life in the soil - to produce healthy plants with increased resistance to disease and pests. Plants are chosen to be suitable for the growing area, and a diversity of plants are used. Among other advantages, this diversity encourages a balanced insect population with natural predators not killed off by pesticides. There is an overall,. though constantly changing,balance within such a system of growing , that cannot be reduced to numbers.

Yet it might be helpful to farmers burdened with high input costs and concerned about pesticide use to hear from extension of options such as the example I gave at the hearing. Bill Dow, Rt. 3 Bx 333, Pittsboro, N.C., had, before his fall season began last year, grossed over $20.000 on two acres and without the use of chemicals or large machinery.

Thank you for the interest you showed in our statements and for the very important work you are doing on agricultural issues.

Sincerely,

Nancy M. Barnhardt

Nancy M Barnhardt, leg. agent
Pesticide Project
Conservation Council of N.C.

cc: The Honorable H. Martin Lancaster
The Honorable Walter B. Jones
The Honorable David Price
The Honorable James Clarke

AGRICULTURAL RESOURCES CENTER / PESTicide EDucation project
115 West Main Street Carrboro, NC 27510 (919) 967-1886
615 Willard Place Raleigh, NC 27603 (919) 839-0159

January 29, 1990

STATEMENT TO THE
HONORABLE CHARLIE ROSE AND
MEMBERS OF THE
HOUSE AGRICULTURE COMMITTEE

Representative Rose and members of the House Agriculture Committee. I am Erick Umstead, Research Director of the Agricultural Resources Center (ARC). ARC is a private non-profit, public interest organization which conducts education and research on agricultural and natural resource issues. We are particularly interested in sustainable agriculture and pesticide use. We ask that you support changes in the 1990 Farm Bill that remove economic disincentives for sound environmental agricultural practices, provide research support for sustainable agriculture, and encourage the reduction and/or elimination of dangerous pesticides.

We request that the House Agriculture Committee adopt the following recommendations by the National Research Council in their 1989 report "Alternative Agriculture".

* Existing commodity programs, if retained, should be amended to eliminate penalties for farmers adopting rotation.

* Mandatory production controls, if enacted, should not require land retirement for participation because this discourages crop rotation.

* Decoupling of income support from crop production, if enacted, should ensure that all farming systems and rotations are treated equitably.

* Provisions in the Food Security Act of 1985 designed to protect erodible lands and wetlands must be fully and fairly implemented.

* Future farm programs should offer no new incentives to manage these and other fragile lands in a way that impairs environmental quality.

- Surface water and groundwater quality monitoring must be more systematic and coupled with educational and regulatory policies that prevent future contamination.

- Cost-effective water quality protection provisions must be incorporated into existing conservation and commodity programs.

- Regulations that require farmers to maintain soil and water conservation practices and structures installed with government technical or financial assistance must be enforced.

- Adjustments in regional cropping patterns must be facilitated when such changes are necessary in order to make progress toward profitable and environmentally sustainable production systems.

- The benefits of any pest control method should be characterized as the differences between those of the next best alternative, which may involve an alternative cropping system that requires little or no pesticide use. The dollar costs of the health and environmental consequences of each pest control method should be weighed against its benefits.

- Public information efforts should explain to consumers the relationship of appearance to food quality and safety. Alternate means of controlling the supply and price of fruits and vegetables should be developed. Cosmetic and grading standards should be revised to emphasize the safety of food and deemphasize appearance and other secondary criteria.

- Develop a regional, multidisciplinary, long-term research, demonstration, and extension program such as that initiated by the USDA's low-input sustainable agriculture (LISA) initiative. This program should focus on alternative farming practices and system tailored for each region's major types of crop and livestock operations.

- Substantial annual funding---at least $40 million---should be allocated for alternative farming research. The USDA should distribute the money through is competitive grants programs to scientist from research institutions, foundations, and industry.

- More resources should be allocated to collect and disseminate data on yields, profits, labor requirements, human health risks, threats to water quality, and other environmental hazards of conventional and alternative farming practices within a given region. These data will help policymakers and farmers make informed choices.
- Research should be undertaken to predict the long-term impacts of various levels of adoption of alternative farming practices on the total production and prices of various agricultural commodities: use and prices of various farm inputs: international trade, employment, economic development, and incomes of various categories of farmers: and the overall structure of agriculture and viability of rural communities.
- Research should be expanded on consumer attitudes toward paying slightly higher prices for foods with lower or no pesticide residues, even though such foods may not meet contemporary standards for appearance.

As you know concern over food safety and groundwater contamination by farm chemicals, especially pesticides, has grown dramatically in recent years. Current farm policy makes it difficult, if not impossible, for farmers to effectively address environmental and health problems created by conventional chemically dependent agriculture. We can ill afford to tolerate farm policies that financially penalize farmers who wish to develop more healthful and environmentally sound alternative agricultural practices.

In 1983, while supervising the environmental monitoring for pesticides for the North Carolina Department of Agriculture, I found that approximately 24% of the shallow wells sampled next to cotton fields in Scotland County were contaminated with Temik aldicarb. Aldicarb is the most toxic carbamate pesticide ever registered in this country. At most these fields were on a two year rotation. Some fields were not rotated at all. Greater rotation to control pest, instead of relying on chemical controls could have prevented this contamination.

The problem also has serious international implications. Since the early 1970's the EPA has rightfully canceled or severely restricted several pesticide registrations, because they posed an unreasonable health risk, making their use illegal in this country. However, little or nothing has been done to protect the public from exposure to these pesticides from the importation of agricultural commodities produced outside of this country. The Federal Insecticide, Fungicide, Rodenticide Act (FIFRA) allows the manufacture for exportation of these banned pesticides. For the most part these pesticides are very inexpensive to produce, when compared to more recently developed pesticides. Our short sighted strategy to protect public health has unintentionally placed our farmers at an unnecessary economic disadvantage with foreign growers whose chemical arsenals contain cheap, but banned, pesticides, while consumer exposure continues.

The Food Security Act of the 1990 Farm Bill may provide the opportunity to protect American farmers from this inequity and correct our failed policy to protect the public from dietary exposure to banned pesticide residues. Section 408 of the Federal Food, Drug and Cosmetic Act of 1954 demands that tolerances for pesticide residues on food be established at levels necessary to protect public health and provide an adequate supply of economical food. As long as 408 tolerances are maintained for these banned chemicals the Food and Drug Administration is helpless in preventing the importation of agricultural commodities with banned pesticide residues. Revocation of 408 tolerances would allow for the embargo of agricultural commodities with these residues. The ability of the government to embargo agricultural commodities would discourage the use of banned pesticides by growers outside of this country that plan to sell here. This would ensure the original protection sought for public health while protecting American farmers from unfair competition. Additional benefits include greater worker and environmental protection worldwide.

The American farmer, and the country as a whole will be better served with farm policies that do not penalize good stewardship. We ask that\you give our concerns careful consideration and that you support changes in the 1990 Farm Bill that remove economic disincentives to alternative agriculture, so that it may grow and develop in a fertile environment. Thank you for the opportunity to comment on such an important issue.

STATEMENT of ALTON H. ROBERSON

IMMEDIATE PAST PRESIDENT

N.C. SMALL GRAIN GROWERS ASSOCIATION

Mr. Chairman and members of the House Agriculture Committee:

I am Alton Roberson, immediate past president, of the N.C. Small Grain Growers Association. I am a farmer from Kinston, N.C. and produce wheat, corn, soybeans, tobacco and hogs on our family farm. On behalf of the small grain growers of North Carolina, I want to thank you for holding this hearing in Congressman Rose's district. We appreciate the opportunity to voice our opinions on the 1985 Food Security Act and the chance to offer our concerns regarding the 1990 farm bill.

Clearly, the 1985 farm bill was not perfect. But as a whole, most producers are generally satisfied with this bill. The 1985 Act deserves praise for addressing the very difficult problems that depressed the agriculture economy during the mid 1980's: Low farm income, high farm debt, loss of export markets, and burdensome stocks of grains. In 1986, the U.S. was holding a record 1.9 billion bushels of surplus wheat. This stockpile was 97% of projected domestic and export use. In fact, excessive stocks caused many of us to believe that we had entered a new era of farm surpluses.

As each member of this committee is aware, the 1985 farm bill was the result of many hard fought compromises. It was constructed as a bridge between earlier programs and today's market-oriented polices, and it's "front-loaded" costs were expected. At the time, we hoped the burdensome wheat surpluses could be reversed within the life of the 1985 Act. Significant progress toward this goal has been accomplished. Today, we have less than 468 million bushels of surplus wheat or about 23% of projected domestic and export use. We all realize that devaluation of the dollar in relationship to foreign currencies, lowering of loan rates for major export commodities, the Export Enhancement Program, Targeted Export Assistance, creation of marketing loans for some commodities and consecutive droughts all played major roles in this turn around. I certainly hope that this committee does not take credit for the weather; however, you do deserve praise for your concern for the healthiness of the American farm families through the implementation of the Disaster Aid Acts.

There are several broad policy concerns that small grain farmers across our state and nation would like to see addressed in the 1990 legislation. First and foremost is the maintenance of an income "safety net". The present system of target prices, deficiency payments, and non-recourse loans have worked to place a floor below which a farmer is protected from adverse price movements. The use of set-asides and Farmer Owned Reserves will provide the necessary fine tuning to balance grain supplies for the international market, food reserve goals and domestic consumption.

Of upmost importance at this stage is not to hinder the present upswing in the agricultural economy. A prime example is the continuous calls for greater planting flexibility. We support more flexibility so that we can better adapt our individual cropping plans to our economic needs.

We support continuation of the target price concept. The target prices of commodities need to be well balanced, reflecting relative values and cost-of- reflecting downward trend in target prices must be reversed and reflect producers' increased cost.

In the event of unpaid acreage reduction programs, the target price should be adjusted upward to directly compensate for the income loss which would occur due to a reduction in harvested acres. This linkage of target prices to permitted acres would assure a stable level of income protection, while eliminating the use of annual acreage reduction programs as a simple means of reducing federal budget exposure.

Over the last four years implementation of the Export Enhancement Program has returned the U.S. to a position of being a competitive exporter. The program has accomplished three objectives; it enabled the U.S. to compete with unfair trade practices world wide, to increase exports and to enhance our bargaining position in the Uruguay Round of Multilateral Trade negotiations. In the past four years, EEP has resulted in over $8 billion in sales of farm products including 60 million tons of wheat and 2.7 million tons of flour. Since EEP's implementation, the U.S. share of the world wheat and flour market has increased from 29 percent to 42 percent in the 1988/89 marketing year. Thus EEP has become our best guarantee that other countries will come to the table in a good-faith attempt to negotiate new disciplines and a reduction of trade barriers.

My final point is how to include agricultural interest in writing the 1990 farm bill. This committee is meeting face to face with the best conservationists and environmentalists in the world. How can I justify this statement? Farmers take tremendous pride in preserving their land and water as renewable resources. The greatest satisfaction a farmer can personally experience is having a son or daughter return to the family farm. Therefore, it is our continuous goal to preserve these God given resources for posterity.

The conservation title of the 1985 Act marked a major shift by merging, for the first time, the farm program and environmental policy. The Department's Alternate Conservation System (ACS) is a prime example of balancing our conservation goals with economic reality. The general public must realize that farmers eat and clothe ourselves with the same products that they do and are just as concerned with potential health and environmental hazards.

In North Carolina, we are proud of our Land Grant Universities, and other research facilities that will develop exciting new technologies to help insure a better environment for our children. Therefore, we suggest instead of placing more strings upon program participation, we should revamp our existing delivery systems for addressing problems within agriculture. A renewed commitment toward research and education will ensure that those of us within agriculture can address concerns about chemical use and its effect upon goundwater, the environment and food safety. A united effort by the agricultural community toward addressing chemical issues through improved management practices, IPM principles and education will preclude the need for regulatory solutions.

Mr. Chairman, members of the committee, I thank you again for this opportunity.

STATEMENT TO

CONGRESSMAN E. (KIKA) DE LA GARZA, CHAIRMAN
AGRICULTURE COMMITTEE

CONGRESSMAN CHARLIE G. ROSE, MEMBER
AGRICULTURE COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

and other members of the Committee
on the

"1990 FARM BILL"

Charlie Rose Agri-Expo Center
Fayetteville, North Carolina

January 29, 1990

By: A. Ward Shaw
Chadbourn, N. C.

CHAIRMAN DE LA GARZA, CONGRESSMAN ROSE, AND DISTINGUISHED MEMBERS OF THE AGRICULTURE COMMITTEE,

I am Ward Shaw, a farmer and agri-businessman from Columbus County in North Carolina's Seventh District. My farming enterprises consist of tobacco, corn and soybeans; and I am a retail farm supply merchant and also in a tobacco warehouse partnership in Chadbourn, North Carolina. In addition to my affiliation in local community affairs and civic endeavors, I am currently secretary of the North Carolina Soybean Producers Association, and also serve as one of my state's voting delegates to the American Soybean Association. Hence, I am here today as a bona fide farmer as well as a representative of the soybean associations in addressing what we perceive to be some of the problems and some possible opportunities for soybean farmers here and across our nation as you go about enacting the 1990 farm bill.

Earlier this month, the United States Department of Agriculture's Statistical Reporting Service announced that the 1989 national soybean production was 1.93-billion bushels, up 24 per cent over last year's drought-stricken crop of 1.55-billion bushels. North Carolina's 1989 soybean crop, which is slightly more than two per cent of the national total, is pegged at 42-million bushels. Soybeans are our state's second highest cash crop, behind tobacco, and utilize more of our farm acreage than any other crop. The estimated farm value of our state's 1989 soybean crop is approximately $242-million, and $25.9-million in our five-county Seventh District. Estimated nationwide farm value of our 1989 crop will approximate $11.08-billion, with approximately one-half going into export sales. Foreign sales of U.S. produced soybeans have, over the years, accounted for around one-fourth of all agricultural dollars earned in the export market! As can be seen, soybeans are of tremendous economic importance to the farmers in our state and nation; and, as an earner of foreign exchange, that benefits all our citizens. As a matter of fact, exports of all U.S. produced agricultural commodities are not only fundamental to the economic well-being of our farmers, but to the entire nation - and we all can agree that the world community needs our commodities, and our nation needs the trade.

Unlike so many other agricultural commodities produced in this country since World War II, our soybeans have generally enjoyed unparalleled growth in worldwide demand - that is, until the last decade when national and international political and economic circumstances have halted further growth. However, we feel that our success story of the past 25 or so years is attributable to the well-planned and coordinated efforts of the American Soybean Association (with which North Carolina is an affiliated state) in promotion of soybeans on a global basis. This successful market development story is made possible by self-help funds from our soybean producers, combined with monies from the Foreign Agricultural Service and third-party cooperators.

I am here today to give you some input as the Congress proceeds in enacting a new Farm Bill in 1990. I feel that my statement is fairly simple, direct and should reflect the viewpoint of most soybean farmers throughout our nation. Following are twelve topics which, in my opinion, are the concerns of most soybean farmers:

1. Need for dependable export markets. (This is essential for the economic survival of U.S. agriculture and we must ensure against embargoes and other trade impediments.)
2. Need for consistent, long-range agricultural policy. (Farmers must make heavy long-range plans and financial commitments; and, therefore, they must be able to know that agricultural policy will be consistent, dependable and essentially immune from partisan political considerations.)

In 1973, 1974, 1975 and again in 1980, our government imposed selective embargoes on agricultural exports. Even today, after the 1983 enactment of the so-called "contract sanctity" legislation for agricultural exports, our farmers, as well as our foreign customers, continue to be wary of the possibility of such disruptive measures recurring. It is our opinion that our government ought to fight hard to keep our nation's export market shares intact. We need to do everything possible to minimize our own trade barriers and constraints, such as import restrictions and duties combined with such other export constraints as cargo preference, monetary policies, or embargoes. Our farmers are tooled up and financially committed to long-term production! We understand that trade is a two-way street; and, much of our agricultural policy of the last two decades has been based on a professed strong export program, but without a consistent commitment of government to enhance this objective. We simply must have a long-range, predictable and consistent agricultural policy (with the commitment to back up such policy) which would be in our total national interest in the long run. This objective would include such approaches as: (a) elimination of trade import barriers that might create countering measures by foreign governments; (b) complete elimination of threats of agricultural embargoes of U.S. commodities (except in times of war or extreme domestic food shortage); (c) a monetary policy that does not make U.S. agriculture "cannon fodder" in exchange rate circumstances such as we have been experiencing over the last few years; (d) a commitment of the U.S. government to become a stronger advocate of agricultural exports through more support of export promotion such as FAS Cooperator Funding, P.L. 480-type programs, Export Enhancement (EEP), and Targeted Export Assistance (TEA); (e) elimination of such barriers as antiquated cargo preference laws, union boycotts, etc., that restrict or prevent the expeditious and economic flow of commodities from this country; and (f) granting Most Favored Nation status to the Soviet Union.

Short of the foregoing commitments, the U.S., it seems, will become more and more a residual supplier of agricultural commodities, which would then mandate sweeping supply-management production systems for agriculture in order to keep producers solvent. The point to note regarding supply-management for soybeans is the significant "hidden" costs to U. S. consumers, and the ultimate strategic loss of our nation's economic growth due to under-utilization of resources. For soybeans, we accept the consequences of the "free trade" concept, so long as it is "fair trade" and government is our advocate and not an adversary. However, we recognize the uniqueness of different commodities and respect the fact that they don't all fit nicely into the same policy "mold."

3. Responsible grain and soybean reserves. (These must be under farmer control, but with a fixed limit on total storage and length of storage under a responsible government loan rate.)
4. Responsible loan rate without set-aside programs for soybeans and that provides no price floor for our overseas competitors.

We are opposed to any type government-owned or government-held reserves for soybeans. We support programs which essentially leave stocks in the ownership of farmers, combined with a reasonable Federal loan, preferably in the form of a marketing loan similar to the current program for rice and cotton that prevents our foreign competitors from using the U.S. soybean loan as a world price floor or guarantee. Other possibilities could include a producer option payment in a reasonable per bushel amount in return for the farmer's agreement to not use the loan program, or, a reasonable per acre direct payment to all soybean farmers that is based on production history. In our opinion, government loans should not be extended from season to season, but rather should have a definite time limitation of 12 - 15 months from the beginning of the particular marketing year in order to prevent artificial buildup of stocks. We also continue to oppose a set aside for soybeans. Likewise, in keeping with our "freedom to market" philosophy, we continue to oppose any government board or agency, such as Commodity Credit Corporation, becoming the sole negotiator in export sales of U.S.-produced soybeans and grains. The American Soybean Association, over the last year, has developed a unique program titled Guaranteed Equity Loan (GEL) which combines all the above concepts into a package. We strongly urge the Congress to consider this new concept as a way to bring equity to farmers and the U.S. soybean industry.

5. Termination of U.S. taxpayer support of foreign competition combined with resolution of Latin American debt.

We continue to oppose the use of taxpayer dollars being used to support foreign competition for our crop. Research and development for such commodities as palm oil and coconut oil in Asia and Africa, and soybean production in South America, are all being supported to some extent by United States tax dollars through such organizations as the World Bank, International Monetary Fund (IMF), the Agency for International Development (AID), and large domestic banks whose loans are being insured by our own tax dollars. These financial arrangements continue, so we understand, despite Congressional resolutions which call for an end to such activity.

It is inconceivable that our steel or automobile manufacturers would aid foreign competitors. Thus, we question why we should encourage foreign competition for soybean farmers which, in turn, weakens our balance of trade position! As a part of the overall resolution of these foreign loans, we must recognize that a major reason for our current agricultural crisis is the exploding debt of certain developing nations, particularly Brazil and Argentina. Brazil is currently carrying some $110-billion in foreign debt, with Argentina having over $50-billion. Both these nations are struggling to satisfy these enormous debts through increased agricultural exports, particularly soybean exports, while decreasing their own imports. Simultaneously, domestic consumption and standards of living in Argentina and Brazil have undergone steady declines over the last ten years, resulting in a real and serious threat to the fragile and emerging democracies of both these nations. We feel that the best resolution to this problem is to "write off" a portion of this debt in return for more open markets for U. S. agricultural imports and a commitment by Brazil and Argentina to increase domestic consumption of their own agricultural production. This, in turn, would improve their domestic tranquility, strengthen their fragile democracies and once again avail our farmers to a greater portion of our traditional agricultural export markets.

6. Continue pursuit of "Fair Trade" policies and practices by the European Community and others.

One other growing international situation that continues to threaten our traditional agricultural export markets is the 12-nation

European Community (EC) goal of a high subsidized, self-sufficient agriculture. Some of the objectives of the EC in reaching self-sufficiency threaten to eliminate traditional imports of certain U.S. commodities in violation of their treaty agreements under the Genera Agreements on Tariffs and Trade (GATT). On several occasions in the last five years, the EC has threatened U.S. agricultural and soybean producers, first in the accession of Spain and Portugal to the community and concurrent severance of $400-million in traditional agricultural export shipments of grain to those two nations. No sooner had this issue been settled than the EC proposed an internal vegetable oil tax that could eventually eliminate our $3-billion soybean market that represents one-fourth of our total annual soybean production in the U.S. The United States government must stand firm against these and other such major threats or restrictive barriers to soybeans and other agricultural exports to the EC and elsewhere in the world.

7. Need to restore investment tax credits to farmers.

On the domestic side, several issues need to be evaluated or re-evaluated. First, we feel investment tax credits for purchase of agricultural machinery and equipment, that were eliminated in the 1986 Tax Reform Act, should be restored to farmers. This one step could go a long way toward revitalization of rural America, inasmuch as farmers would have incentives to trade equipment as a way of keeping their operations efficient while at the same time allowing young farmers (or others) an opportunity to enter farming or otherwise obtain good, reliable used equipment and eventually heal a continuing sick agricultural equipment industry in this county.

8. **Need for planting flexibility on program crop acres. This flexibility should allow up to 25 per cent substitution with soybeans or other non-program crops without loss of base acreage. And, restriction on use of set-aside acreage should terminate when the designated crop is harvested.**

The 1985 Farm Bill, through its programs for such crops as corn, grain sorghum, wheat, oats, barley and cotton, has resulted in discrimination against soybean production in such a way as to cause sizable acreage reduction for soybeans over the last few years, most especially in the Southeast. Congress must take steps in writing the 1990 Farm Bill to minimize, or eliminate, the "legislative" advantage for these program crops if U.S. farmers are to retain world market shares for soybeans and minimize foreign competition from soybeans and other oilseed crops. We feel that, in order to get soybean production back on a "level playing field" in the U.S., the 1990 Farm Bill should provide the Secretary of Agriculture authority to grant planting flexibility of up to 25 per cent for program crops on each farm so that farmers can substitute soybean production on these acres without losing the base acreage of the program crop. If the flexible acreage substitution higher than 25 per cent is allowed, the result could cause distortions in program crop supplies and simultaneously disrupt soybean profits due to oversupply. Without such corrective measures, or some form or variance of a marketing loan concept, soybean production, most likely, will continue to decline in the South. We feel that Congress must limit substitution of soybeans on program crop acreage to no more than 25 per cent and resist wide open substitution that might cause imbalanced production shifts to those crops holding promise of the highest subsidy. In any event, we do not support any set-aside scheme for program crops that would, in turn, permit soybean planting on such set-aside or diverted acreage. However, restriction of use of set-aside or diverted acreage should terminate when the designated crop is harvested.

9. **Need for reasonable environmental constraints that provide incentives to farmers to incorporate environmentally acceptable practices; and we further recommend that authority for all food safety legislation and enforcement should reside within the United States Department of Agriculture.**

Environmental concerns are becoming major public issues in all areas of society, especially as related to air and water quality and to food safety and health. Stronger efforts are therefore being made to associate farming practices with environmental pollution, especially in the area of water quality, and farmers are attempting to deal responsibly to such pressure. As Congress writes a new Farm Bill, members should be mindful of the need for reasonable legislation that will allow farmers to continue producing safe and adequate supplies of food and fiber for domestic and export consumers. When tradeoffs are deemed necessary, Congress should provide monetary incentives rather than costly constraints that prohibit efficient production. We therefore oppose cross-compliance requirements where farmers must adhere to regulations at their own expense that are "in the public interest."

We also recognize the public pressure for greater regulation of food safety and inspection to ensure the health of our nation's citizens. However, we feel it is imperative that such regulatory authority be delegated to the United States Department of Agriculture in order to maintain consistent standards and to avoid public confusion that might arise from "turf battles" of competing agencies of government.

10. Need for better, more definitive labeling of vegetable fats and oils (truth-in-labeling) that will benefit soybean farmers and promote better health potential for all Americans.

There is great need for realistic and meaningful Federal truth-in-labeling regulations by the Food and Drug Administration regarding edible fats and oils. This is an issue that is vital to the economic health of soybean farmers and the physical health of all our citizens, inasmuch as imported and highly saturated palm oil, palm kernel oil and coconut oil is being imported here at unacceptable rates and being marketed as nutritious "vegetable oil." Unlike domestic soybean oil, corn, cottonseed, peanut and sunflower oils that are low in saturated fats and are quite healthy, these imported tropical fats tend to increase blood serum cholesterol levels and coronary heart disease for many unsuspecting consumers who are not aware of such danger. The Congress should endeavor to have FDA clarify the term "vegetable oil" on product labels by (a) reclassifying palm, palm kernel and coconut oils that contain up to 92% saturation as something other than vegetable oil; (b) requiring manufacturers to label any of these tropical fats as "saturated fats" whenever they are listed as ingredients on food labels; and (c) requiring that saturated fat content be identified on food labels.

To put the consumption of these tropical fats in perspective, in 1986, the United States imported the equivalent of soybean oil derived from 171 million bushels -- or four and one-half times as many soybeans as North Carolina produced last year! On average, this was like taking $1,465 from the pockets of every soybean farmer in the country.

11. **Need for Federal assistance for market development, combined with effective agronomic and utilization research. (This is an alternative to such stability programs as PIK, etc. Farmers are tooled up to produce for world markets and not for idling their production capacity.)**

We want to encourage continued strong and increased Federal funding for soybean production and utilization research along with market development funding and support. Soybeans are our nation's number one cash crop, yet still trail many other commodities in terms of research dollars spent versus value of our production. Soybean production has increased least on a per-acre-yield basis among the major crops produced in this country. Continued strong research funding, especially here in the Southeast, is necessary in order to boost profitable production. Likewise, continued strong funding of foreign agricultural service market development dollars benefit all our citizens through increased demand for soybeans, which, in turn, makes our imported items less expensive. We support the $500-million special research initiative for agriculture as proposed by the National Association of State Universities and Land Grant Colleges.

12. **Need for stabilized fiscal and monetary policies. (We need to eliminate the unbelievable deficits of government and get our currency back to a stable value.)**

Finally, we feel that our Federal Government must take bold and swift action to return our economy to a sound fiscal and monetary base. An end to deficit spending would likely do more to restore farmer prosperity than any other actions of our government. A stable currency exchange rate with other nations, combined with realistic interest rates could also restore our farm export programs.

CONCLUSION

We must pursue ways to ensure reasonable profits for our farmers. A friend of mine recently stated that he "was not interested in having to haul twice as much grain to market to stay even," but, he felt it was time to get a better income for the output he is already achieving. We have to wonder just how many acres we must cultivate and how much bigger our equipment must be in order to continue farming. There has to be a practical limit if we are to stay in farming. Cost of production cannot continue to soar because of high input and equipment costs, etc., while our commodity prices and sales continue to decline.

Even though we daily hear about the good economic conditions of our economy, farmers are still facing uncertain circumstances, and I can detect a continuing uneasiness among farmers I know. Mr. Chairman, and members of this distinguished panel, I say it is high time that our Federal Government direct its effort toward developing a sound agricultural economy, lest a bankrupt agriculture drag the rest of our economy into another devastating depression. I feel that the principles we have outlined in this presentation are well reasoned and are the proper course to return the soybean industry and all of agriculture to a sound base.

In conclusion, Mr. Chairman, we wish to express our appreciation for this opportunity to appear at this hearing today. We encourage you to be diligent in your effort to write agricultural legislation that will provide for economic justice for our nation's farmers. We must keep this most important segment of our economy healthy and avoid making agriculture the nation's economic shock absorber due to any mistakes and/or excesses of other segments of commerce, labor, industry or government. A viable United States agriculture is essential for the good health of this country and the entire world.

Thank you.

Monday, 1/29/90

Fayetteville, NC

Government's Role:	Help protect its citizens and help provide an adequate supply of food at a reasonable cost.
Farmers' Restrictions:	Government and labor regulations, environmental, embargoes and potential future embargoes, import cost too high versus cash selling prices (none or little profit)

The cash price of corn today is the same as in the early 1950's -- $2.50 to $2.60 per bushel.

How can I compete in a so called "free market" with combines that costs $125,000 (50,000 bushels of corn) and medium size tractors that costs $50,000 or more (20,000 bushels of corn).

The 1985 - 1990 Farm Bill has helped me very little. In 1985, the loan value of corn in my county was $2.81 per bushel. In 1991, it will be approximately $1.95 per bushel. My loan value has dropped approximately $1.00 per bushel. Thus, not due to the supply and demand side but due to the loan side, my cash grain price at harvest is $1.00 or so per bushel less.

The dollar drop has been a bonanza for the large grain companies and feeders. They have made handsome profits. Why? Because of the drop in the loan price. As a producer, I get part of the dollar back over a two year period through government payments. The users of my grain get the dollar advantage the day they purchase the corn.

The public thinks the farmer is getting the dole. I say the large users are getting the dole. I am supplementing the consumer with my equity.

In regards to the free market concept or theory, it is "Pie in the Sky" theory. How can the producer compete today in a "free market" with the US target price of corn being $2.75 and the ECC price of corn being $6.69 per bushel? (See Enclosure 2). Wheat target price is $4.00 in the US and $7.87 in the ECC. The ECC soybean target is $18.24 per bushel. Please refer to Enclosure 1 wherein in 1988 a French farmer's son stated that they received $5.20 per bushel for corn and wheat and $13.00 for soybeans.

I feel the 1990 - 1995 Farm Bill should provide higher loan prices and let the reserve be in the hands of the producer. We need to meet both the domestic and export requirements with a trigger level which would enable us to either increase or decrease acreage based on reasonable trigger levels. When we have large suppliers, the government must help us through the "tea program" -- PL 480 -- and other programs get rid of the excess. The farmer producer cannot bear this cost along.

Looking at the export markets over the last 10 years, we have had very little increase in those markets. There needs to be more emphasis on ethanol production and other domestic programs which will help us become more self sufficient in producing what America needs. Ethanol helps provide us cleaner air along with jobs.

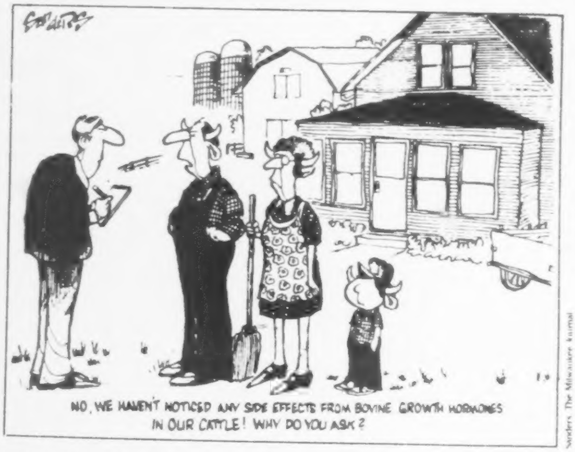
I am 58 years old, a college graduate and now have three sons in college and one daughter in high school. I am sorry to say that I do not have a child I would like to see come back to our grain farm. I farm 775 acres of quality soil and should be able to make a reasonable profit like anyone else. I would put my management practices against anyone here today. Yet over the last several years, I have lost equity in our property. There must be some reasonable approach in helping solve some of the farm problems. We need your help today. Thank you.

Jack Williams

Jack Williams
Lakeview Farms
Route 2, Box 280
Faison, NC 23841

(Attachments follow:)

Letters


NO, WE HAVEN'T NOTICED ANY SIDE EFFECTS FROM BOVINE GROWTH HORMONES IN OUR CATTLE! WHY DO YOU ASK?

Sanders, The Milwaukee Journal

Eager marketers

I am writing in response to "The power of positive partnership: The wife as farm marketer" (Oct. FF). It sounds like a good idea. I'm sure it takes courage to take such risks. We farm 1,800 acres, and it seems the markets are so intimidating and just swallow us up. I'm interested in more information on how I could become a better marketer.

Penny Kinser, Indiana

It sounds like Rosemary Hartter is a woman worth listening to, and this farm wife is ready.

Kathy Peters, Indiana

Farm subsidy debate

After reading your September issue, I perceive that you are in the forefront to abolish farm subsidies. That might be good policy for the taxpayer, but bad policy for most farmers, unless you want three-fourths of them to go broke. The farmer would take along many elevators, fertilizer companies and other businesses that depend on farmers for a living. The Boswells of farming ("To be the best") don't need a handout, but unfortunately many of us do. What do you think of taxpayers paying for all those broke savings and loans?

Larry Maurer, Montana

It seems quite normal to me that farmers get subsidies proportional to their production. My father farms 3,000 acres in France and gets $5.20 per bushel for corn and wheat, and the farmers growing soybeans get $13 per bushel. The problem is you can go to a supermarket in France, like I did in December 1988, and pay prices the same or less than a supermarket in southwest Georgia. In other words, quit blaming the American farmers, and start looking toward the middlemen.

Pierre Brueder, Georgia

Suspicious of "experts"

I read with interest your September editorial by University of Illinois ag dean Wayne Gomes. I am getting sick and tired of these so-called experts telling farmers what to do. First, the land grant colleges showed us how to produce abundant crops. Their only mistake was in not showing us how to sell them!

Many of the authors of articles like yours say, "I was born and raised on a dairy farm." Why did they leave? Ninety-nine percent of them couldn't wait until they were 18 years old as they hated everything about farming: long hours, low pay, etc. These same people are now trying to tell us what to do.

Cecil Peterson, Minnesota

Not ready to forgive and forget

The topic of loan forgiveness has been eating at me for a year and after reading "Is your writedown income?" (Oct. FF) I just had to write. The interest on my loans is high, and yet I still pay it. It just burns me that I have to compete with the same farmers who have their loans forgiven. Then you hear people say, "No wonder the farmer can make it, he gets to have his debts forgiven." On my farm, we're doing great because we just tightened up. And there's a lot more of us that pay off our loans than have them forgiven.

Charles Hart, Illinois

No two-way street

I read with some amusement "Oilseed with a bumpy future" (Oct. FF). Two American-based companies say they would gladly buy U.S. canola instead of Canadian, if available. Believe me, American and Canadian canola look absolutely alike. They'll buy whatever is cheaper. With the free trade agreement, grain only flows one way from Canada — out — as we durum growers in North Dakota are finding out.

Dale Farbo, North Dakota

Tops in everyone's eyes

I would like to thank you for selecting me as one of your 1988 Top 100 Best Managed Farms. I feel the award played a role in my being offered more land to farm, which I consider a grand prize. Thank you for the honor.

Dean Black, Iowa

WRITE US

FARM FUTURES welcomes letters from readers. Write: FARM FUTURES Letters, 330 E. Kilbourn Ave., Milwaukee, WI 53202. Please include your full name, address and telephone number. Letters may be edited for space or clarity.

Your "keeper" table of key 1990 program data

	CORN	SORGHUM	BARLEY	OATS	WHEAT	COTTON (Lb.)	RICE(cwt.)
Target price	2.75	2.61	2.36	1.45	4.00	.729	10.71
Basic loan	1.96	1.86	1.60	1.01	2.44	.5027	6.50
Adjusted loan	1.57	1.49	1.28	.81	1.95	—	—
Max. deficiency payment	1.18	1.12	1.08	.64	2.05	.2263	4.21
• subject to $50,000 limit	.79	.75	.76	.44	1.56	.2263	4.21
• subject to $200,000 limit	.39	.37	.32	.20	.49	—	—
Est. deficiency payment	.90	.91	.25	0	.90	.105	4.06
• subject to $50,000 limit	.79	.75	.26	0	.90	.105	4.06
• subject to $200,000 limit	.11	.16	0	0	0	—	—
Advance deficiency payment	.332	.3371	.0828	0	.332	.03633	1.5505
Maximum permitted acreage	90%	90%	90%	95%	95-105%	87.5%	77.5%
Acreage reduction program	10%	10%	10%	5%	5%	12.5%	22.5%
Set-aside factor	.1111	.1111	.1111	.0526	.0526*	.1429	.2903

GLOSSARY OF TERMS:

Target price: Gross price guaranteed on eligible production.

Basic loan: Determined by formula prescribed in farm legislation; based on moving average of market prices.

Adjusted loan: Loan rate resulting from discretionary reduction in basic loan by up to 20%.

Maximum deficiency payment: Difference between target price and adjusted loan rate.

Estimated deficiency payment: USDA's projected actual deficiency payment (and guaranteed minimum under 0-50/92).

Advance deficiency payment: Producers may get 40% of the estimated payment; (minus "adjustments" for deficit reduction).

Maximum Permitted Acreage (MPA): Maximum number (or percent) of basa acres eligible for program benefits.

Acreage Reduction Program (ARP): Maximum percentage of base acres that must be idled in a soil-conserving cover crop.

Set-aside (SA) Factor: This factor is used to determine ACR (acreage conservation reserve) acres and CU (conservation use) requirements.

*No set aside required under flexible ARP option.

40% advance isn't really 40%. Though you were supposed to get 40% of USDA's estimated deficiency payments in advance, those quick with a calculator are sure to notice the advance payments shown above fall short of 40%. It's not a mistake.

You'll recall some weeks back we explained that all payments are reduced by a fixed amount under the Budget Reconciliation Act of 1989 and then by an additional 1.4% under the Gramm-Rudman-Hollings reductions.

Fine points of flexible ARP on wheat are as follows: The "official" ARP is 5%. But you have the option of harvesting wheat from up to 105% of your base (and avoiding set-aside requirements) if you're willing to forego deficiency payments on one acre of permitted acres for each acre you plant over 95% of base.

Thus, if you harvest 100% of your base, you'll get deficiency payments on only 90% instead of 95%; if you harvest 105%, you'll get payments on only 85% instead of 95%.

Here's another fine point: If you harvest more than 95% but less than 100% of your base, you must leave the difference in CU (conserving use) or it won't be "considered planted" for future base computation purposes. You would lose some base.

You'll turn green and red as you read this item: Green with envy, red with rage. These are the "internal" targets and price support levels proposed for 1990-91 in the European Community:

	EC Target price	EC Support level
Soybeans	$18.24 bu.	$15.98
Wheat	$7.87 bu.	$5.68
Durum	$9.67 bu.	$7.96
Corn/milo	$6.69 bu.	$5.31
Barley	$5.73 bu.	$4.55
Rice	$29.77 cwt.	$17.10

Over the past 20 years, these outlandish price supports have bloated EC production and ruined EC markets for more efficiently-produced U.S. grain.

It works very much like U.S. dairy price support: The EC agrees to buy whatever necessary to maintain prices at a fixed support level, which they call their "intervention" price.

It's bad enough that such ridiculous levels of price support have ruined our markets within the EC. But then, using huge export subsidies called "restitutions," they dump their expensively-produced grain unto world markets at world prices (or less) and cut into our non-EC markets as well! They find such dumping cheaper than huge intervention purchases and resulting storage costs.

These are the "trade distorting practices" that we've been countering with EEP for several years — the practices Ag Secretary Yeutter and U.S. Trade Rep Carla Hills hope to bring down through GATT talks.

EC will throw U.S. a bone. We're beginning to fear the battle over GATT (General Agreement on Tariffs and Trade) will end up like Vietnam, when a high U.S. official said, "Let's just say we won and get out."

Our Brussels contacts report the EC (European Community) Council of Ministers effectively castrated the EC position by removing a critical clause that would have firmly linked their reductions in internal supports to world market prices: the lower the world price, the larger the cut...and vice versa.

Now, all they say is that domestic support levels should have "some relation" to world prices. Whoopee. Even more disturbing, representatives for both the U.S. and the Cairns Group (non-subsidizing nations) played down the move, claiming that EC willingness to accept "partial" reduction of "part" of their subsidies was considered a "potential bridge" between the two extremes: U.S. insistence for gradual phase-out of all trade-distorting subsidies; EC insistence on "no change in basic CAP principles."

If the U.S. bites on the EC "bone" just described and declares GATT a success, it will be like folding a full house against a pair of deuces in high-stakes poker. You can bet there will be no *meaningful* reduction in the obscene support levels for European production, and yet the U.S. may be forced to back off on aggressive use of EEP and scale down deficiency payments as "our part" of the deal. If we give up more in export efforts and domestic price supports than we win in reduced EC subsidies, Congress will balk.

U.S. should simply walk out. Teddy Roosevelt gave good advice when he said the U.S. should "talk softly but carry a big stick" in foreign policy. It applies equally well to trade policy. If "talking softly" fails at GATT, our trade team should simply storm home and give Congress carte blanche to create "a bigger stick" with the 1990 farm bill.

Several darts from Dole. Speaking to the state ASCS conference in Kansas, Sen. Bob Dole (R-Kan.) lashed out at "liberal big spenders who want to spend the 'peace dividend' (defense savings) on big new government programs." Like many in his party, he wants such savings to go to deficit reduction.

Democrats are sure to accuse Dole of having a "blind spot" for agriculture, however, since in that same speech Dole suggested a "middle ground" on target prices would be to freeze them or even add a mechanism tying them to inflation.

"Tree huggers" fight dirty. Dole noted that through a campaign of distorted facts, radical environmentalists derailed the nomination of a fine candidate for Assistant Ag Secretary for Natural Resources and Environment, James Cason.

He warned that was just a sample of the disproportionate influence radical environmentalists will have over the 1990 farm bill if agricultural interests don't take the lead on ground water quality.

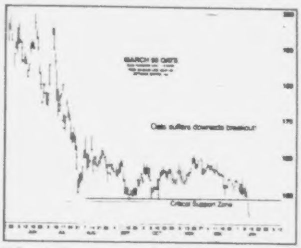
"You can't have it both ways." Dole says farmers must decide if they want a refined, revamped federal crop insurance program or simply rely on Congress for ad hoc disaster programs. "We can't, and shouldn't have it both ways," says Dole.

One option we've heard: Reform crop insurance and have the government subsidize coverage at the 50% level; have farmers pick up the added cost of 65% or 75% coverage.

Gov't. oats, barley unleashed. The last Reserve loans for oats and barley matured Dec. 31. That lowered demand for PIK certificates. Reason: Government stocks could now be sold for cash as long as the price was at least 115% of the county loan rate where stored, plus carrying charges. Current markets for both crops are well above that.

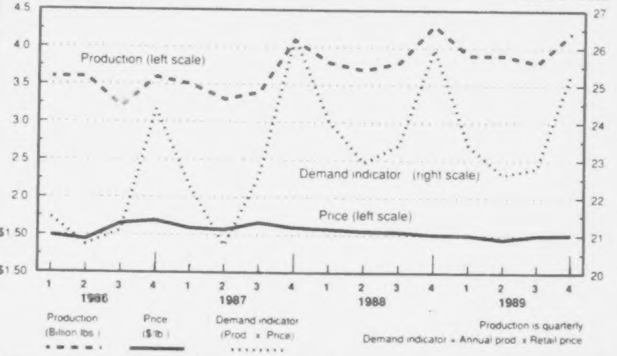
It wasn't that big a deal for oats. But it unleashed 19.6 million bu. of barley, with another 16.6 million currently held for EFAP (Emergency Feed Assistance Program). If not utilized, the government could put that on the market for cash, too. It's tough to rally with a big, "willing seller" like Uncle Sam.

Oats defy logic. Every other commercial is pushing something with oats in it. Stocks are so tight the government won't allow its new nonprogram crop option on oats base. And yet, this week, March oats futures took out a major support zone at $1.48 and longterm charts show no further support until $1.30.



What's happening? Higher imports and dramatically lower feed usage. But this latest plunge may make imports unattractive and stimulate feed use. It could pare 1990 seedings, too. Catch our drift? Oats may be a great "buy" at $1.30.

Pork "demand" overrated?



Hogmen! You're at retailers' mercy. For months, we and many others have marveled at cash hog prices well above where they "should" be, based on traditional supply/demand models. We have concluded pork demand must have skyrocketed in 4th quarter. But now that data on inflation-adjusted retail prices is in, our exclusive "demand indicator" shows 4th quarter demand was actually a hair *lower* than last year! What gives? It's unusual stability in retail pork prices, not a surge in consumer tastes for pork. As we noted in our Dec. 16 issue, retailers raised retail pork only 2% despite a 25% runup in wholesale costs. Conventional demand models that factor in a fixed wholesale/retail spread thus understated cash hog prices by up to $10 per cwt. But if retailers ever decide to restore their margins and boost retail prices, it could slow product movement, break wholesale prices and suddenly those old demand models predicting lower hog prices might not be so far off. It's the "spoiler" we have to watch out for!

PERSPECTIVE

FARMERS NEED A BILL OF RIGHTS

By Michael R. McLeod

In view of the importance of the government farm program to major crop producers, it is essential that they be able to assert their claims to program benefits in an unbiased forum. Unfortunately, the Agricultural Stabilization and Conservation Service (ASCS), in the interest of uniformity, often overrules or modifies county committee actions and limits their independence of choice.

It is time for a Farmer's Bill of Rights that covers the following guarantees:

1. Impartial review. Farmers should have the right to an effective, impartial and objective review when an administrative decision by ASCS at any level is thought to be in error.

Although ASCS has had an appeal procedure in place for many years, it has never met the fundamental principles of "due process." The last revision of the ASCS appeal regulation made it clear that the regulation provides no right of review with respect to "general program requirements." It only provides a basis for appealing "individual determinations."

Although the process provides three levels of review, from the county committee to the state committee to the Deputy Administrator, State and County Operations (DASCO), a decision favorable to the farmer at any level may be overturned by the administrator of ASCS—or a designee of the administrator—at any time. DASCO, generally the final judge, is also the program administrator. Thus there is no separation of the power to judge from the power to administer.

Rulings from DASCO program decisions are often sought in advance by state and county committees in order to avoid "second guessing." Appeals through the system after the state or county has decided such questions may be pointless—DASCO has already ruled.

The illusion of independence is provided by the use of "hearing officers" at the Washington level. This group, known as the Appeals Staff, reports to DASCO. However, the regulations make it clear that the appeal is to DASCO, and DASCO—not the member of the Appeals Staff who hears the case—signs off on the decision in every case.

While a farmer may be represented by a lawyer in the proceedings, and while he or she must be given a "full opportunity to present facts and information," no provision is made for the compulsory attendance or cross-examination of adverse witnesses. USDA personnel knowledgeable about the facts of the case and about audits, procedures and instructions need not be made available for questioning.

In the event of an appeal from an adverse county or state committee decision, due process would entitle a farmer to: (1) the right to retain private counsel and be represented by such counsel at a hearing; (2) the right to present a reasonable quantum of argument and evidence at a hearing on the case; (3) the right to confront and cross-examine adverse witnesses at the hearing; (4) an impartial adjudicative body; and (5) a brief written statement of reasons and evidence relied upon to support the final decision.

The lack of these fundamental bases of due process denies farmers the rights that other citizens have long taken for granted.

2. Right to know. Farmers should have the right to receive program information far in advance of planting.

Knowledge of program rules is absolutely essential for borrowing funds, buying crop insurance, lining up supplies of seed and fertilizer, arranging for rental land and making equipment decisions. Next year, the problem will be more acute than ever because Congress will be setting new rules for the 1991 crops of wheat, feed grains, rice, upland cotton and other major commodities.

3. Prompt decisions. Farmers should have the right to receive prompt decisions and determinations relating to their individual farm plans and problems.

Delays have long been the rule. The process could be speeded up if ASCS would accept more decisions by county committees without requiring endless bureaucratic reviews at ever higher administrative levels. The county committee system has a firm base in the federal laws. It should be permitted to work.

4. No "second guessing." Farmers should have the right to be secure from "second guesses" by auditors and officials where no fraud, abuse or criminal activity is involved.

One of the reasons county committees delay decisions is that they are afraid to decide program questions with respect to individual farms without backup advice from their state office and Washington program divisions. As a result, vital decisions are delayed until it is too late.

"Second guesses" by the auditors also have resulted in major monetary claims. Efforts by farmers to maximize program benefits when commodity prices are depressed lead to later audits that find program abuse—often without real foundation. A farmer may suddenly be presented a bill for hundreds of thousands of dollars for payments he has received in previous years. Defending against these reclaims is expensive and time-consuming. Moreover, farmers are denied fundamental due process, because they are appealing to the same people who have already made the decision for the reclaim. In the absence of fraud or misrepresentation of facts, reclaims should be used to correct future administrative performance, but to open closed cases in which some affirmative action was innocently taken by the county committee and the farmer.

5. Local control. Farmers should have the right to effective program administration by the "elected" county committees.

Congress mandated responsible local administration of the farm programs. Instead, this grassroots system of administration is being eroded. These farmer-elected officials are increasingly subjected to oversight by state and federal USDA employees. They may be second-guessed by OIG auditors. They may be summarily suspended from office. Their decisions may be overturned by USDA personnel.

It is time for Congress to ensure that farmers who participate in federal farm programs are treated fairly. ◄

Michael R. McLeod is a former general counsel for the U.S. Senate Ag Committee and now practices law in the Washington, D.C., firm of McLeod and Pires. John Harris helped prepare this article.

TESTIMONY OF ROBERT B. NICHOLS, JR.

MR. CHAIRMAN, I AM ROBERT B. NICHOLS, JR., A DAIRY FARMER FROM HILLSBOROUGH, NORTH CAROLINA, AND A U.S. NAVY VETERAN FROM WORLD WAR II. WHILE ACTIVE IN NORTH CAROLINA AGRICULTURAL AND DAIRY ORGANIZATIONS FOR MOST OF MY 40 YEARS IN DAIRYING, I PRESENTLY SERVE AS VICE-CHAIRMAN OF THE HILLSBOROUGH SAVINGS AND LOAN ASSOCIATION, AND A MEMBER OF THE CORPORATE BOARD OF DAIRYMEN INCORPORATED. DAIRYMEN INCORPORATED IS A MILK MARKETING COOPERATIVE REPRESENTING ABOUT 5,000 DAIRY FARMERS LOCATED IN NORTH CAROLINA AND 15 OTHER STATES, MAINLY IN THE SOUTHEAST.

MR. CHAIRMAN, I THANK YOU FOR COMING TO NORTH CAROLINA TODAY AND CONGRESSMAN ROSE FOR ARRANGING THIS HEARING TO PROVIDE TODAY'S WITNESSES AN OPPORTUNITY TO COMMENT ON THE 1990 FARM BILL AT THIS EARLY STAGE OF THE COMMITTEE'S DELIBERATIONS.

OVER THE YEARS, I HAVE RUN MY DAIRY WITH THE EXPECTATION THAT U.S. DAIRY POLICY, WHILE NOT ALWAYS THE SAME, WILL PERMIT ADJUSTMENTS WITHIN THE INDUSTRY AND ON MY FARM TO OCCUR IN AN ORDERLY MANNER. WITHOUT THE STABILITY THE DAIRY PRICE SUPPORT AND FEDERAL MARKET ORDER PROGRAMS PROVIDE, FAMILY DAIRY FARMERS CANNOT MAKE THE CAPITAL COMMITMENTS REQUIRED IN DAIRYING TODAY. THE RISKS ASSOCIATED WITH A LARGE INVESTMENT AND HIGHLY UNSTABLE MARKET WOULD BE TOO GREAT.

MR. CHAIRMAN, THE DAIRY PRICE SUPPORT PROGRAM AND FEDERAL ORDER PROGRAM HAVE WORKED WELL. ONLY TWICE IN THE LAST FOUR DECADES HAS MILK PRODUCTION EXCEEDED COMMERCIAL USE TO THE EXTENT THAT BURDENSOME SURPLUSES OF DAIRY PRODUCTS HAVE BEEN HELD BY THE COMMODITY CREDIT CORPORATION (CCC) FOR A SIGNIFICANT PERIOD. THE FIRST WAS IN THE EARLY 1960'S AND THE OTHER IN THE 1980'S. IN

EACH CASE, THE PRICE SUPPORT LEVEL FOR MILK AND DAIRY PRODUCTS WAS SET TOO HIGH, PRODUCTION WAS OVERLY STIMULATED AND A PERIOD OF READJUSTMENT FOLLOWED.

IN 1985, THE CONGRESS, AT THE URGING OF THE ADMINISTRATION, TAXPAYER, AND CONSUMERS, AND IN AN ATMOSPHERE OF BUDGET AUSTERITY -- IMPLEMENTED THE 1985 FARM BILL, WHICH HAD AS ITS OBJECTIVE INCREASED MARKET ORIENTATION THROUGH A GRADUAL REALIGNMENT OF SUPPLY AND DEMAND BASED ON PRICE SUPPORT ADJUSTMENTS.

IN REFLECTING ON THE CHANGES THAT HAVE TAKEN PLACE IN OUR INDUSTRY SINCE 1985, THE GENERAL CONSENSUS, I BELIEVE, IS "THE 1985 FARM BILL" HAS WORKED BETTER THAN EXPECTED TO REALIGN SUPPLY AND DEMAND.

WHILE THE MEASURES ADOPTED IN 1985 HAVE NOT BEEN WITHOUT PAIN, THEY HAVE BEEN EFFECTIVE. GOVERNMENT INVENTORIES OF CHEESE AND POWDERED MILK HAVE DISAPPEARED, AND THE SUPPORT PRICE FOR BUTTER IS BEING ADJUSTED TO REFLECT MORE CLOSELY ITS COMMERCIAL VALUE IN THE WORLD MARKET.

NOTEWORTHY, AS WELL, IS THE CHANGE THAT HAS TAKEN PLACE IN THE ROLE OF THE SUPPORT PRICE. WITH THE SUPPORT PRICE NOW $3.00 PER HUNDREDWEIGHT LOWER THAN IN 1985, IT SERVES AS A SAFETY NET AND NOT THE PRIMARY PRICE FACTOR IN THE MARKET PLACE.

TODAY, THE SUPPORT PRICE FOR MILK IS $10.10 PER HUNDREDWEIGHT (CWT), YET, THE MOST RECENT PRICE PAID FOR MANUFACTURING GRADE MILK, -- AS REFLECTED BY THE MINNESOTA-WISCONSIN PRICE FOR DECEMBER -- IS $14.93 PER CWT. FOR 1989, THE M-W PRICE AVERAGED $1.34 ABOVE THE AVERAGE M-W FOR 1988

AND $1.76 ABOVE THE PREVAILING SUPPORT PRICE OF $10.60 PER HUNDREDWEIGHT.

IN WRITING THE 1990 FARM BILL, MR. CHAIRMAN, WE -- AT DAIRYMEN INCORPORATED - DO NOT SEE THE NEED AT THIS TIME TO OVERHAUL OR DRASTICALLY CHANGE THE 1985 DAIRY PRICE SUPPORT PROGRAM OR THE FEDERAL ORDER PROGRAM. THERE ARE REFINEMENTS, HOWEVER, THAT WE FEEL WILL HELP ASSURE THAT THE OBJECTIVES OF FEDERAL DAIRY POLICY CONTINUE TO BE MET IN AN INCREASINGLY "MARKET ORIENTED" MARKETING ENVIRONMENT.

WE BELIEVE PRICE SUPPORT ADJUSTMENTS LIMITED TO $.50 OR 5 PERCENT PER YEAR, WHICHEVER IS LESS, SHOULD BE MADE GRADUALLY. ANNUAL ADJUSTMENTS SHOULD BE MADE DOWNWARD IF CCC PURCHASES EXCEED 5 BILLION POUNDS MILK EQUIVALENT PER YEAR OR UPWARD IF CCC PURCHASES ARE LESS THAN 2.5 BILLION POUNDS MILK EQUIVALENT PER YEAR AS PROVIDED IN CURRENT LAW.

TO MORE ACCURATELY REFLECT THE MARKET FOR MILK AND DAIRY PRODUCTS, CCC PURCHASES, WHEN CONVERTED TO A MILK EQUIVALENT BASIS, SHOULD BE CONVERTED USING TOTAL SOLIDS OR A WHOLE MILK BASIS RATHER THAN A MILK FAT BASIS. TO FAIL TO DO SO DOES NOT REFLECT THE TRUE DEMAND FOR MILK AND MILK PRODUCTS.

AS PREVIOUSLY INDICATED, THE MAINTENANCE OF A MEANINGFUL SUPPORT LEVEL IS ESSENTIAL IF THE PRICE SUPPORT PROGRAM IS TO MAINTAIN THE PRODUCTION CAPACITY OF THE DAIRY INDUSTRY AT A LEVEL THAT WILL ASSURE CONSUMERS AMPLE SUPPLIES AT REASONABLE PRICES. THE SUPPORT PRICE, THEREFORE, SHOULD BE MAINTAINED WITHIN AN ESTABLISHED RANGE OF THE U.S. AVERAGE PRICE FOR MANUFACTURING GRADE MILK.

IF A REALISTIC PRICE SUPPORT LEVEL IS MAINTAINED, WE BELIEVE THE U.S. WILL MAINTAIN AN ACCEPTABLE BALANCE BETWEEN SUPPLY AND DEMAND. THEREFORE, DOMESTIC SUPPLY CONTROLS PROGRAMS WILL NOT BE NEEDED UNDER NORMAL CIRCUMSTANCES.

AS INCREASED MARKET ORIENTATION OCCURS DOMESTICALLY, SECTION 22 IMPORT QUOTAS WHICH PROTECT DOMESTIC AGRICULTURE FROM SUBSIDIZED EXPORTS, DUMPING AND OTHER UNFAIR TRADE PRACTICES WILL CONTINUE TO BE NEEDED. WHILE TRADE BARRIERS MAY, OVER TIME, BE REDUCED UNDER A NEW TRADE AGREEMENT, SECTION 22 AUTHORITIES WILL PROVIDE THE BASIS FOR RESPONDING TO COUNTRIES WHO DO NOT ADHERE OR ARE NOT PARTY TO AN AGREEMENT. THE U.S. MARKET MUST NOT BECOME THE DUMPING GROUND FOR DAIRY PRODUCTS FROM COUNTRIES THAT SEEK AN UNFAIR ADVANTAGE IN FOREIGN TRADE, OR THAT SEEK TO CIRCUMVENT A NEW TRADE AGREEMENT.

AS ONE OF THE MOST EFFICIENT PRODUCERS OF DAIRY PRODUCTS IN THE WORLD AND THE LARGEST DAIRY MARKET, THE U.S. SHOULD NOT ADOPT A DAIRY POLICY THAT LEADS TO CIRCUMSTANCES IN WHICH SUBSIDIZED IMPORTS ARE PROMOTED AS THE MEANS BY WHICH DOMESTIC DEMAND WILL BE MET.

TURNING NOW TO FEDERAL MILK MARKETING ORDERS, LET ME FIRST INDICATE A STRONG AND FLEXIBLE FEDERAL MILK MARKETING ORDER PROGRAM CONTINUES TO BE ESSENTIAL TO THE MAINTENANCE OF ORDERLY MARKETING OF FLUID MILK. TIMELY ADMINISTRATIVE DECISIONS CAN GO A LONG WAY TO ASSURE THAT MILK SUPPLIES NEEDED FOR FLUID USE ARE AVAILABLE FROM LOCAL OR DISTANT MARKETS ON A REGULAR BASIS AND IN SUFFICIENT QUANTITIES TO MEET CONSUMER DEMAND IN MARKETS ACROSS THE COUNTRY.

THE SLOWNESS WITH WHICH THE U.S. DEPARTMENT OF AGRICULTURE IS MOVING IN RESPONSE TO THE APRIL 1989 REQUEST OF PRODUCERS AND HANDLERS IN NORTH CAROLINA AND SOUTH CAROLINA TO IMPLEMENT A REGIONAL MILK MARKETING ORDER, AND THE DEPARTMENT'S FAILURE TO ADJUST CLASS I DIFFERENTIALS FROM 1960 TO 1985, ARE EXAMPLES OF ADMINISTRATIVE DELAYS WHICH HAVE FAILED TO ADDRESS PROBLEMS WITHIN THE INDUSTRY IN A TIMELY MANNER.

CLASS I DIFFERENTIAL ADJUSTMENTS CONTAINED IN THE 1985 FARM BILL RECOGNIZED THAT SIGNIFICANT INCREASES IN TRANSPORTATION COSTS HAD OCCURRED DURING THE PERIOD 1960-1985 AND THAT THEY HAD NOT BEEN REFLECTED IN CLASS I DIFFERENTIALS. WHILE THE ADJUSTMENTS MANDATED IN 1985 LEFT THE TRANSPORTATION COMPONENT OF CLASS I DIFFERENTIALS REPRESENTING ONLY ABOUT TWO-THIRDS OF THE ACTUAL TRANSPORTATION COSTS FOR SOUTHEASTERN MARKETS, THE ADJUSTMENTS HELP ASSURE THAT OUR MARKETS ARE SUPPLIED AS EFFICIENTLY AS POSSIBLE -- WHETHER FROM LOCAL OR DISTANT SOURCES. CLASS I DIFFERENTIALS ESTABLISHED IN THE 1985 FARM BILL SHOULD BE RETAINED. THEY ARE SUBJECT TO REVIEW AND ADJUSTMENT BY THE SECRETARY OF AGRICULTURE.

WITH RESPECT TO FEDERAL ORDERS, CLASSIFIED PRICING, WHICH IS REQUIRED TO BE INCLUDED IN ALL FEDERAL ORDERS FOR MILK BY THE AGRICULTURAL MARKETING AGREEMENT ACT OF 1937, AS AMENDED, SHOULD ALSO BE RETAINED. DOWN ALLOCATIONS AND THE USE OF COMPENSATORY PAYMENTS, WHENEVER CLASS III PRODUCTS ARE USED TO RECONSTITUTE FLUID MILK, ARE REQUIRED TO MAINTAIN THE INTEGRITY OF CLASSIFIED PRICING. HOWEVER, WE BELIEVE MILK CONCENTRATED BY REVERSE OSMOSIS CAN BE SHIPPED BETWEEN ORDERS WITHOUT DESTROYING THE

CLASSIFIED PRICING SYSTEM IF, ON A MILK EQUIVALENT BASIS, THE MILK IS PRICED AS BULK FLUID MILK SHIPPED INTER-ORDER. TO DO SO WOULD PERMIT NEW TECHNOLOGY TO BE UTILIZED TO PERMIT THE SHIPPER OR RECEIVER TO REALIZE TRANSPORTATION SAVINGS WITHOUT DESTROYING CLASSIFIED PRICING.

THESE CHANGES, WE FEEL, WILL PERMIT THE DAIRY PRICE SUPPORT AND FEDERAL ORDER PROGRAMS TO OPERATE MORE EFFECTIVELY AND REDUCE THE NEED FOR PROGRAMS SUCH AS TWO-TIER PRICING AND PRODUCER ASSESSMENTS. ASSESSMENTS DISTORT THE NATURE OF INDUSTRY ADJUSTMENT PROBLEMS WITHOUT CORRECTING THEM.

THE SOUTHEAST, A DEFICIT MARKET, TWICE IN THE LAST SIX YEARS EXPERIENCED NON-PRICE MARKET DISTORTIONS AND THEIR ACCOMPANYING PROBLEMS -- FIRST, DURING THE DIVERSION PROGRAM AND AGAIN IN THE DAIRY TERMINATION PROGRAM. DURING BOTH OF THESE PERIODS, HIGHER THAN NORMAL AMOUNTS OF MILK HAD TO BE BROUGHT INTO THE AREA TO MEET THE NEEDS FOR CLASS I OR FLUID MILK. IN THE ABSENCE OF MARKETWIDE SERVICE PAYMENTS, THE ADDED COST OF THIS SUPPLEMENTAL MILK WAS BORNE BY THOSE PRODUCER GROUPS OR PROCESSORS WHO ACTUALLY IMPORTED THE MILK. AN INABILITY TO RAISE ALL PRICES TO THE LEVEL OF THE COST OF THE MARGINAL SUPPLY, OR EQUITABLY DISTRIBUTE THE COSTS, CREATED SERIOUS INEQUITIES BETWEEN THE PRODUCERS AND/OR PROCESSORS THAT PURCHASED SUPPLEMENTAL MILK AND THOSE THAT DID NOT. SUCH CIRCUMSTANCES MUST BE AVOIDED IN THE FUTURE.

TO MEET THE SOUTHEAST AREA'S DEMAND FOR FLUID MILK, MILK IN BULK AND PACKAGED FORM IS BROUGHT INTO THE REGION ON A REGULAR BASIS. THE QUANTITY OF MILK REQUIRED FROM OTHER AREAS IN A

NORMAL YEAR RANGES FROM A LOW OF ABOUT 2.5 PERCENT IN THE SPRING TO 10 PERCENT OR MORE DURING THE FALL MONTHS. IN JULY, AUGUST, SEPTEMBER, AND OCTOBER, 1989, AN ESTIMATED 235 MILLION POUNDS OF FLUID MILK WAS SHIPPED TO SOUTHEAST MARKETS. THE COST OF THE SUPPLEMENTAL MILK HAS BEEN ESTIMATED TO BE $4.00 PER HUNDREDWEIGHT ABOVE THE PREVAILING PRICE IN THE SOUTHEAST.

THE PREMIUM PAID ALSO INDICATES MILK PRICES IN THE REGION WERE INADEQUATE TO GENERATE LOCAL SUPPLIES OR ATTRACT MORE DISTANT SUPPLIES. PROPOSALS, THEREFORE, WHICH WOULD ROLL BACK CLASS I DIFFERENTIALS SHOULD BE REJECTED.

TO MEET THE AREA'S EXPANDING NEEDS, PRICES HAVE TO BE AT A LEVEL THAT WILL ATTRACT AN ADEQUATE SUPPLY. THE NECESSARY SUPPLY MAY BE OBTAINED LOCALLY OR FROM MORE DISTANT MARKETS, OR FROM BOTH.

OUR DAIRY FARMERS WANT TO BE FREE TO COMPETE IN THE SOUTHEASTERN FLUID MILK MARKET AT PRICE LEVELS WHICH REFLECT, TO THE EXTENT POSSIBLE, THE COST OF PURCHASING AND TRANSPORTING FLUID MILK FROM THOSE AREAS THAT BALANCE THE REGION'S FLUID MILK NEEDS.

PROPOSALS WHICH WOULD IMPOSE PRODUCTION CONTROLS WOULD DENY THAT OPPORTUNITY. A UNIFORM CLASS I PRICE AS PROPOSED UNDER A NATIONAL ORDER WOULD DENY THAT OPPORTUNITY. AND, A SINGLE ORDER WOULD ELIMINATE THE INCENTIVE TO MOVE MILK FROM SURPLUS PRODUCTION AREAS TO DEFICIT AREAS SUCH AS THE SOUTHEAST, REDUCE THE INCENTIVE TO PRODUCE IN LOCAL MARKETS, AND LEAD TO HIGHER CCC OUTLAYS FOR THE DAIRY PRICE SUPPORT PROGRAM, AS WELL HIGHER CONSUMER PRICES IN THE SOUTHEAST.

MR. CHAIRMAN, I WOULD ALSO LIKE TO CALL TO THE COMMITTEE'S ATTENTION JOHNE'S DISEASE, AN ANIMAL HEALTH ISSUE. THIS DEBILITATING DISEASE HAS THE POTENTIAL OF INFLICTING HEAVY FINANCIAL LOSSES ON DAIRY FARMERS, THE DAIRY INDUSTRY, AND EVENTUALLY CONSUMERS.

JOHNE'S DISEASE IS EMERGING AS THE NUMBER ONE ANIMAL HEALTH CONCERN OF DAIRY FARMERS. IT IS SPREAD TO CALVES BY BACTERIA IN THE MANUER FROM INFECTED COWS. YET, IT IS NOT MANIFESTED IN THE ANIMAL UNTIL IT REACHES AN OLDER AGE. AT THE PRESENT, THERE IS NOT A RELIABLE DIAGNOSTIC TEST. FUNDING IS NEEDED AT THE FEDERAL LEVEL FOR RESEARCH THAT WILL PROVIDE A RELIABLE DIAGNOSTIC TEST, FOR HERD TESTING AND ERADICATION, FOR VACCINATIONS, FOR TRACKING THE OCCURRENCE OF THE DISEASE ACROSS THE COUNTRY, AND FOR PROMOTING MANAGEMENT PRACTICES THAT WILL BREAK THE DISEASE CYCLE.

IN SUMMARY, MR. CHAIRMAN, I COMMEND THE MEMBERS OF THE COMMITTEE AND CONGRESS WHO WROTE THE 1985 FARM BILL. IT HAS WORKED. WE HOPE THE CONGRESS AND ADMINISTRATION WILL NOT SEE A NEED TO MAKE MAJOR CHANGES IN THE DAIRY PROGRAMS IN THE 1990 FARM BILL, BUT WILL MAKE REFINEMENTS SUCH AS THOSE I HAVE OUTLINED.

CONGRESSMAN ROSE, I WANT TO AGAIN THANK YOU AND THE MEMBERS OF COMMITTEE FOR PROVIDING THIS OPPORTUNITY FOR ME TO SHARE OUR VIEWS ON THE 1990 FARM BILL.

N. C. CATTLEMEN'S ASSOCIATION
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Testimony on Behalf of the

North Carolina Cattlemen's Association

regarding

the

House Hearing for 1990 Farm Bill

submitted by

D. S. Moss

January 29, 1990

at

Charlie Rose Agra-Export Center
Extension Auditorium
Fayetteville, NC

The North Carolina Cattlemen's Association is the spokesman for all segments of the beef cattle industry in North Carolina. The Association represents North Carolina producers who own approximately 900,000 cattle with an annual income of $175 - $200 million per year. Cattle producers are located from the mountains to the seashore in every county in North Carolina. The Association represents approximately 3,700 paying members.

Mr. Chairman and members of the Hearing Committee, ladies and gentlemen, my name is D. S. Moss. I am vice president of the North Carolina Cattlemen's Association. I am also a full-time farmer from Halifax County operating a Purebred Angus herd and row crop farming of peanuts, tobacco and small grains with my son Tom.

The North Carolina Cattlemen's Association was organized in 1956 and during its existence has become one of the leading agricultural commodities in North Carolina.

The Association is affiliated with the National Cattlemen's Association. The Association has worked very closely with the National Live Stock and Meat Board, state breed associations, N. C. State University, N. C. Department of Agriculture and other agricultural groups in and outside of North Carolina.

I appreciate very much the opportunity to speak at this hearing and to represent the N. C. Cattlemen's Association. Our views concerning the 1990 Farm Bill are consistant with those of the National Cattlemen's Association.

During the development of the 1985 Farm Bill our position was that all of agriculture should be treated with fairness and no commodity should suffer from special provisions made for another segment of agriculture. Our position remains the same in the development of the 1990 Farm Bill. Just because a producer chooses a certain crop or a certain species of livestock should not afford him favoritism or relegate him to unfavorable treatment from a governmental program designed to assist agriculture. The program should represent fairness to all of agriculture.

The Beef Promotion and Research Program was authorized by the 1985 Farm Bill and permits the collection of $1.00 per head on all cattle sold. This is a self help program that is funding research, informing producers and promoting beef without the use of American tax dollars. The check-off program was approved by an overwhelming majority of the cattlemen in a national referendum. In North Carolina the approval was 95%. We believe the market should determine the price and [illegible] of production and not be influenced by governmental subsidies.

On the national scale cattle is a $35 billion industry and is the largest segment of American agriculture according to cash receipts. The economic well-being of the cattle industry is important to North Carolina agriculture and to the nation as a whole.

In our eyes, the 1985 Food Security Act has been a success. One of the keys to this accomplishment was the fact that Congress did not change the Act in mid-stream. By allowing the Act to mature, farmers could plan and implement management decisions without fear of Washington changing directions. We hope the 1990 farm bill follows the same direction.

Through the National Cattlemen's Association we plan to be actively involved in the development of the 1990 farm bill. Our primary areas of concern will be the grain, dairy, conservation, trade, and research titles. This is not to say other issues will not surface as the bill develops. We will work diligently with other agriculture groups to develop consensuses and coalitions in order to create a farm bill we all can be proud of.

The new grain policy idea of triple base is being aired as a way to provide program grain producers with flexibility in their planting decisions. Some proponents of the triple base plan would allow non-program crops to be grown on the third base. We question the fairness of allowing non-program crops to be planted on protected program crop base acres. This concern needs special review. What good would come out of helping one farmer at the expense of another? Grain policy, in any event, should continue to use market forces for price discovery.

Dairy policy will continue to concern us. At this point, there has been little talk of a new dairy whole herd buy-out and that is encouraging. Congress must continue to develop dairy laws that ensure accountability and low milk surpluses. The fear in the cattle industry is that if milk surpluses grow to unbearable amounts, the government will again have to slaughter dairy cows to remove the surplus. Cattlemen cannot idly stand by and allow dairy policy to be implemented that encourages overproduction and burdensome milk surpluses.

The Conservation title of the 1990 farm bill may prove to be the most controversial in the sense that forces outside of the agricultural mainstream will have input into the title from environmental groups to other committees in Congress.

We are very concerned about the environment but we question the methods used to address the situation. Cattlemen believe it is imperative to closely guard private property rights as Congress writes environmental laws. Farmers will depend on both of the Agriculture Committees to defend and protect private property rights.

The Conservation Reserve Program will certainly be reviewed and the questions of what to do with the land after the 10 year contract are bound to be asked. Our answer is: let the land return to commercial use. Do not restrict the use. We will oppose any extension of the CRP if the extension allows for any commercial use besides hunting. If payment of any kind is made to a CRP participant for extending a contract, then the no haying and grazing law must remain intact.

The National Cattlemen's Association's agriculture research priorities of the 1990 farm bill will focus on:

- addressing consumers' interest in food safety and human nutrition through the development and implementation of beef safety assurance programs and diet/health research;
- conservation of land, water and air resources;
- improving the efficiency of production, animal health and care, fabrication and merchandising of beef product;
- developing methods for true value termination in live cattle and wholesale/retail product.

It is our hope that implementation of these research results can be administered utilizing the concept of Integrated Resource Management (IRM). IRM programming will enable the industry to incorporate the above interdisciplinary research results into an effective management system that will promote environmental stability, market competitiveness and consumer acceptance.

Therefore, we ask that you work with NCA to achieve their research objectives by incorporating into the 1990 Farm Bill support for Integrated Resource Management and its interdisciplinary systems approach to problem solving.

Certainly, there will be new issues and provisions in the 1990 farm bill that have not surfaced.

I realize the complexity of your task and the pressures of developing this legislation. The Association requests that all segments of agriculture be treated with fairness. We do not seek favorable treatment; however, we do not wish to suffer loss by special treatment of others.

Mr. Chairman thank you for the opportunity to be here today.

JERRY Schill, Exec Director of the North CAROLINA FISHERIES ASSOCIATION which is a private trade group representing the commercial fishermen, Seafood dealers and processors in our state.

I also serve as a trustee on the Gulf + South Atlantic Fisheries Development Foundation which serves the states from Virginia to Texas.

In addition, I serve as a member of the South Atlantic Fishery Management Council, a regulatory body charged with fisheries management in federal waters.

The commercial fishing industry has a perception problem. Tell a member of the public that you're a farmer, and that person sees you as a food producer. Tell that same person that you're a fisherman however, and visions of a relaxing day with rod + reel come to mind.

Mr chairman, the commercial fisherman is also, a food producer.

The commercial fishing industry does not have product subsidies or set-asides, nor am I here to ask for any in the 1990 Farm bill,

~~The~~ Commercial fishing is Americas first industry, but it is changing. It is changing for 2 reasons. One is need — the other is perception.

most evident of the changes due to perception is the mandatory use of Turtle Excluder Devices by our Shrimpers.

Another is the many Seafood inspection bill currently before the House and Senate. We urge you to support H.R. 3508 "the Federal Inspection for Seafood Healthfulness Act of 1989" co-sponsored by Mr de la Garza and Mr Jones of N.C.

The North Carolina commercial fishing industry realizes that it must deal effectively with public perception of our industry to survive. Likewise, we urge our brother food producers, farmers, to work on environmental concerns in the 1990 farm bill, specifically the possibility of reducing its reliance on chemical fertilizers and pesticides, and to expand wetland protection efforts.

In another area, there is no reason why fish and fish products should be excluded from the Department of Agriculture's export + food aid programs. Mr Jones of North Carolina is currently encouraging Ag to include MACKEREL in their food aid program to Poland. [redacted]

The most important issue I wish to bring to this Committee is the help we need with the S-K program. S-K or SALTONSTALL KENNEDY ~~Ag~~ program is a grants program established to fund the development and promotion

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of the U.S. seafood industry and fisheries products.

As I mentioned before, I'm not here to ask for subsidies to the fishing industry. But we do need help with S-K.

S-K funds are collected by USDA AS TARIFFS on imported seafood and seafood products, NOT from taxes. 30% of these tariffs are turned over to the U.S Secretary of Commerce to provide for the development and promotion of the U.S. fishing industry and fisheries products. I will expand these remarks in a formal statement and offer specific suggestions.

Finally, I would urge the Committee to support the Sea Grant College Program so that we might continue to assist the fishing industry just as the Land Grant system has advanced American Agriculture. The Sea Grant program has been starved for funds during the 80's.

Again, more specifics will be sent to the Committee later this week.

Testimony of Percy Bunch, President, National Watermelon Association, before a field hearing of the House Committee on Agriculture on January 29, 1990, Fayettteville, NC.

Mr. Chairman, I am Percy Bunch of Murfreesboro, North Carolina where I am a producer and shipper of watermelons. Additionally, I am on the Board of the North Carolina Watermelon Association and serve as President of the National Watermelon Association.

Watermelons are grown in about every state in the nation. We are aware of several thousand producers whose annual output of this highly nutritious and favorite fruit exceeds two billion pounds and accounts for more than $160 million in farm gate value.

Though watermelons are an eternally popular part of the American diet, they have not shared in the uptrend of per capita consumption being enjoyed by other fresh fruits and vegetables but we are endeavoring to rectify this situation through such undertakings as a national research and promotion plan. This self-help program is now in place after a number of years of formal rule-making. The National Watermelon Board was just recently appointed by Agriculture Secretary Yeutter and is in its initial organizational phase, preparing to collect assessments from producers and handlers commencing with the 1990 watermelon producing season.

Watermelon production falls within that immense category of non-price-supported crops and animal production comprising nearly two-thirds of American agriculture, and consequently much of the legislation in a federal farm bill is not directed to such industries as produce. But there are various titles that cross-reference and do apply. Titles X through XIV of the 1985 Food Security Act, for example, contain a broad assortment of sections and subsections of general application in areas like trade, conservation, credit, agricultural research, extension and teaching, marketing and miscellaneous matters.

The 1990 Farm Bill can be expected to contain more direct relevance to all U.S. agriculture in the area of the environment alone. "Food Safety" has become a catch-phrase of public opinion and can readily mobilize tremendous outpourings of concern about the way farmers use pesticides and other chemicals that help keep America the best fed nation on earth for the lowest cost of disposable income.

It is of great concern to the watermelon industry that large numbers of the public do not understand the role of the American farmer as an environmentalist of the first order.

We who till the soil and must care for it as a replenisher of literally our daily bread are as intimate with the soil and its surrounding environment as anyone can be, and we are not careless with it.

The Institute of Food Technologists, whose membership includes many of the world's leading food specialists, empaneled 41 scientists of 18 professional societies to evaluate the safety of the American food supply. It examined five areas of interest such as microbial contaminants, environmental contaminants, natural toxicants, pesticide residues, and food and feed additives.

The group concluded the American Food Supply is amongst the safest in the world. The scientists further concluded that current state and federal legislation generally provides sufficient authority to protect consumers from foodborne diseases and microbial hazards.

At latest count, professional societies representing 100,000 working professional scientists had certified that the report had passed their organization's ratification mechanism.

We in the watermelon industry, as in the rest of agriculture, are being incrementally stifled to our economic demise as even minor use chemicals are wrested from our defense against insects and disease ... not to mention many roadblocks, restrictions, and escalating costs in dealing with farm labor, worker safety, certification requirements, groundwater protection, clean air, endangered species, transportation, and the like.

We concur with the food technologists that risk assessment techniques should be more broadly applied to Food Safety, that the methodology needs to be refined and more funds should be budgeted for Food Safety research. And an integrated national policy on real rather than perceived needs should be developed.

It is encouraging for us to hear agricultural leaders in Washington, DC declare the 1990 Farm Bill should continue to protect farmers' incomes, provide flexibility, and help expand markets for our many commodities. Non-price-supported crops, such as watermelons, which have worked hard to strike a voluntary balance between production and demand, should be protected from intrusion of acres released from set-aside provisos in price-supported crops.

We join with Secretary Yeutter and such legislators as Chairman de la Garza who encourage us to tell the positive story of American agriculture and America's food supply. Our message need not be complex; it can be as simplistic as the opening line of an agricultural chemical firm's TV advertisements that extol the plusses of American agriculture: "Imagine if all farmers disappeared and we were left to raise our own food."

For the record

TESTIMONY OF
KAY ELROD
BEFORE THE
U. S. HOUSE COMMITTEE OF AGRICULTURE
FIELD HEARING ON THE 1990 FARM BILL
CHARLIE ROSE AGRI. - EXPO. CENTER
JANUARY 29, 1990

I am Kay Elrod, a third generation dairy farmer from South Carolina. As father, my grandfather, and my great-grandfather before me, I have tilled the soil and milked the cows and have contributed to the economic and social good of my community. As we prepare for the 1990's and the year 2000, I believe the 1990 Farm Bill will probably be one of the most important aspects of the turning of the century. I could bore you with all the facts and the figures of how many farmers have left the land, how the multi-nationals and food handlers have made tremendous increases of profits - 200 and 300 percent over the last four years. At the same time the income of the American farmer for his raw product has dropped significantly 27% in 1989. I would like to remind you of the awesome task you few men face. The decisions you make after attending these hearings and deciphering the information will not only affect a few lives, but generations not yet born. The gestures, the sarcasm, the arguments that have taken place in these hearings leave no winners or losers at this moment. Most farmers that testify have come to these hearings at personal sacrifice, economic sacrifice and have put long hours of thought into their testimony. They are sincere, this effort comes from the heart, not from the pocketbook. As I have crossed South Carolina and parts of this nation over the last two years, I am astounded at the deterioration of our rural America. Once she stood proud with white houses, masonry houses, painted fences, barns, cattle, good machinery, and strong people. Today in rural America I see dilapidated houses. I see old age facilities worn from a pre-Second World War period. I see, sitting in the edge of the field with worn tires and rusty mufflers, old "A" John Deere and "M" Farmall tractors, tired, tired from work they have done. They look like an old 40 year old mare that's been turned out of the barn in her late years, standing under a willow tree in a blinding rainstorm. I see broken spirits. I see people who are longing for a leader, for leadership. I see people who are longing for a return to a past they once knew. As I cross America today on the back roads, not down the streamlined super-highways, it disturbs me. And I was thinking, gentlemen, most of you are familiar with cattle ranching or come from cattle country. You're quite familiar with breeding stock and you know that the breeding stock of your herd is the life blood of your future herd. I think in looking into the 1990 Farm Bill, into the year 2000 - that's only a decade away - that your responsibility is to improve this breeding herd. Now, I'm not talking about the cattle itself, I'm talking about the people. You have these great economists and we'll relate to them as your accountant. Let us suppose you are a rancher. Each year you have some cattle to die. We have some farmers to die, regretfully. You lose some cattle to predators and we lose good farmers to predators' bad decisions. But in the spring you have a good calf crop, and as you market these steers on the market, you cull your old cows and unproductive cows. This is a natural process. A good herdsman will keep the best heifers and the most productive cows. Today in rural America we're losing our most productive cows, that being the older experienced farmers. We're losing our young heifers, that being the young men who have grown up on the farm, working side by side with their fathers and their grandfathers. Where there's three generations on the farm farming, you have over 100 years of experience - invaluable. These young men I've called breeding heifers are leaving the farm because of low farm income for work elsewhere, so what we have left today is some of the older cattle and some of the steers because you've been selling off productive cows and your breeding heifers. Now your accountant looks at your books and he says, "Oh, gee, you're making money. You are making money." But how long can you continue selling your breeding stock. Gentlemen, in this light I hope that I can reach some of you to take a stance, to take a good look. It is a matter of philosophy, a matter of philosophy. Do we want to continue on a course that is leading us to Aldous Husley's novel Brave New World, a book which represents exploitation of the working man, and portrays Henry Ford as God. Or, do we want to follow the philosophy of Jefferson and our forefathers, and the Holy Bible. It is in your hands! It's an awesome task. With this I would like to present to you what many of us over America think would be the beginning of a new era in agriculture. A new beginning for this country. Today as we face drug problems and alcoholism from broken spirits, the quest is for a never-ending satisfaction of the lust of a materialistic Utopia. We have missed the deep-rooted facts of history and we're headed toward destruction.

Now I would like to get into this plan. The plan would be a supply management type. Now I know you think this is a bad word, supply management. With this we also need a formula that establishes a minimum price for commodities of agriculture at the farm level that represents the cost of production for the raw product. These minimum prices, along with the supply management plan, would enable us to fulfill our first duty and that is to feed the people of the United States of America. There are those that pit us against other countries. They say, "Oh, G.A.T.T., G.A.T.T." Gentlemen, if you implement a supply management plan with a minimum floor, with a cost formula, this would represent our needs plus emergency reserves. Then we would have on top of that a surplus or excess that would be sold at the second tier price which is lower than the first price because this would be deemed surplus or excess. Example, raw product price represents 100% and surplus and excess price represents between 25 and 50%. This lower surplus price would make our exports competitive with anybody's in the world.

Gentlemen, I hope and I pray, along with millions of other people, that you few men have the foresight to see that rural America, the farmer, the family farmer, is the place we go to start building a solid foundation for this house known as the United States of America, that is in such a disarray. Programs in the past have allowed large corporations to accumulate large, large wealth at the mercy of the producer. Anti-trust laws have not been enforced. Companies now monopolize markets to the point free enterprise, and supply and demand, no longer exist. This is capitalism at its worst. When I was in college I had an economic's professor who said that in a free enterprise capitalistic society, the success of this society depended on the honesty and integrity of the people that function within the society. We have laws on the books that are not enforced that should prevent companies from monopolizing markets, and exploiting the producer for large profits that are not returned back to the soil and to the rural community but are returned in areas of pleasure that are like gases of vapor that go out into the air.

I thank you for this opportunity to vent these feelings of mine, no, not only mine, but of thousands of people I have talked to, and I would like to remind you of the awesome responsibility on your shoulders and who put this responsibility on your shoulders, and who is looking at you for leadership, to come out of this with a plan that is fresh. A plan that is new, a plan that is forward thinking, just as Thomas Jefferson and Benjamin Franklin and George Washington and our forefathers before us came out with a plan for this country. For 200 years the family farm has served this country well. Gentlemen, in the last several years, due to the monopolizing of markets by huge corporations, the lowering of base prices, the inability for supply and demand to work, the inability for free enterprise to work, the inability for farm credit to work honestly, the inability for the rural American farmer to be as efficient as his knowledge in his head permits him to be, the inability to have direct contact with the people who administer these programs, we are fastly losing the base that creates new wealth in America. In essence, some of this is created in exile.

In closing, I would like to say creation of a production formula for a minimum floor price of commodities that represents the cost of inputs into these products, and at the same time implementation of a supply management program of commodities with a two-tier price that would satisfy our needs and give our exports the advantage, without government subsidies, without the taxpayers money, but by honest American ethics the old time religion way, the old time supply management way, the old time free enterprise way, the old time spirit in rural American way and it is as real as the sun and the moon and the rain. Thank you.

Kay C. Elrod

P. O. Box 1152
Piedmont, S. C. 29673
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January 29, 1989

To the Members of the U. S. House of Representatives Agriculture Committee:

I want to bring to your attention some concerns I have about detrimental consequences of the 1985 Food Security Act, and ask you to include policies in the 1990 Farm Bill that will remedy those problems.

The current policies have often meant that farmers receive less for their commodities and livestock, even including deficiency payments from the government, than it costs to produce those products. Thus farmers have lost money for producing food, rather than earning money for their work. What other business is expected to sell a product for less than it costs to make it?

The consequences of such low prices for farm products have been far-reaching. Many farmers have been forced to leave farming (400,000 since the 1985 farm bill was passed, according to the American Banker's Association; North Carolina has led the Southeast in loss of farms), because they could not make enough money to care for themselves and their families by farming. As farm families have left their communities, local businesses have also closed (an estimated 1 business for every 6-7 farms that go out of business). Rural communities have suffered greatly because of these losses.

Consumers have also suffered a loss. The quality of our food has deteriorated as fewer and fewer entities are involved in its production. Also, I have fewer choices as a consumer when I want to purchase chicken, or fruit, for example, because there are fewer people making decisions about what type to produce and methods of production. Also, having fewer decision-makers means there is more danger of a large portion of a particular product being lost because of a natural disaster or unusual weather patterns, whereas a system with a larger number of people deciding what and how to produce would guard against such a possibility.

Taxpayers have lost a lot also because of the 1985 bill. We are paying the money that goes to farmers as deficiency payments ($20 B in 1986 alone). Also, many farm families have fallen below the poverty level as a result of low farm prices, meaning that additional tax dollars are needed to provide social services for them

In contrast to these losses, companies who buy farm products at low prices (prices below the cost of production) have made huge profits. It seems unfair to me that companies that were already doing well have gained higher profits since the 1985 farm bill was enacted (e.g., Cargill's profits increased 66% in 1986, including $9.8 M on wheat, $43.3 M on corn and $1.9 M on grain sorghum through the PIK program), while the farmers who produced those products have found it impossible to earn a living from their work.

In considering all these things together, it appears that the effect of my tax dollars (through deficiency payments) has been to drive small farmers into poverty and off the land, while allowing companies that manufacture and trade food products to gain enormous profits. That is certainly not the result I want my tax dollars to have.

I would much rather have a food system in our country that gives farmers a price for their products that allows them to pay for their production costs and have money to care for their families!

Higher market prices for farm goods would not mean higher prices to consumers (indeed, the low farm prices of recent years have certainly not resulted in lower prices for consumers in the grocery store!). Since farmers now receive such a small portion of the food dollar (only about 4¢ of the price of a loaf of bread, e.g.; similar proportions for other products), higher prices paid to farmers would have little effect on what I pay for food.

We need a farm program that will allow farmers to recover their costs of producing food plus earn a living wage for their long hours of work. This would breathe new economic life into our rural communities and restore stability to an essential part of our society.

Perhaps some type of supply management is needed--that seemed to work during the mid-30's to early 50's. The current policy of encouraging overproduction is not working for our nation's farmers, taxpayers or consumers.

I strongly urge you to work for the inclusion of policies in the 1990 Farm Bill that will give farmers a fair price for their products, lower the burden on taxpayers, and allow for a wider variety of farm products and for stable rural communities by encouraging people to remain in farming.

Gail McKinnis Member, North Carolina Council of Churches
Committee on the Rural Crisis

Gail McKinnis
1436 Sedwick Drive
Durham, NC 27713

TESTIMONY

OF

JAMES F. WILDER, DELEGATE
COUNCIL FOR AGRICULTURAL RESEARCH, EDUCATION, AND TEACHING

Mr. Chairman, let me take this opportunity to thank you and your colleagues on the House Committee on Agriculture for coming to North Carolina seeking our input on the 1990 farm bill. My name is James F. Wilder, and I am Executive Vice President of the North Carolina Soybean Producers Association. However, it is my pleasure to be here today as a North Carolina delegate of the Council for Agricultural Research, Extension, and Teaching -- better known as CARET.

CARET is a national grassroots organization of lay persons who are served by the land-grant Colleges of Agriculture. CARET delegates reflect the full spectrum of the agricultural community -- including producers, consumer representatives, homemakers, agribusiness leaders, farm and commodity organizations, and local officials to name a few. We are designated by and work closely with our respective land-grant institutions to offer guidance and support for programs in agricultural research, extension, and teaching. Serving people is the mission of our land-grant institutions, and CARET is a vital partner in accomplishing that mission.

The success of our land-grant system is a subject that is dear to my heart. My family and I have been involved with the land-grant system throughout our lives. I am a product of the land-grant system, having graduated from North Carolina State University. I am proud that my four children have reaped the benefits of a good education and have graduated or are currently attending the land-grant university in North Carolina.

Without the continued strong support of the federal government, I am concerned about the future of the land-grant colleges and universities and the invaluable contributions they make to improving the economic and social well being of our rural communities and way of life in America. With stress on budgets at every level, the tremendous agricultural system enjoyed by Americans today may be in jeopardy if the federal government does not demonstrate a strong commitment to research, extension, and teaching at our land-grant institutions by allocating sufficient funds to carry on these activities. The budgets of the States can no longer be viewed as a cushion for the federal-to-state transfer of funding responsibilities. Congressman Rose is well aware that North Carolina, like many other states across the nation, has felt the tightening of its financial belt to operate within a balanced budget as required by North Carolina law — with the land-grant university, including the College of Agriculture, losing millions of needed dollars.

The federal government has supported agricultural research, extension, and teaching to promote and protect the health and welfare of every American. I would encourage Congress to continue this support by strengthening the research, extension, and teaching title — Title XIV — of the 1985 farm bill. I also hope that you and your colleagues will authorize and apppropriate adequate funds to implement the important programs set forth in Title XIV, so American agriculture can address the needs and meet the challenges of the 1990s for our nation and the world.

Our commitment to research, extension, and teaching must be strong to meet and resolve the important issues of this decade. I am talking about issues like: enhancing the productivity of our food and agricultural system; protecting the quality of the nation's water supply and our natural environment; meeting the nutritional needs of the entire population; insuring a safe food supply for the American public; implementing strategies to revitalize rural communities; competing more effectively in the international arena; adopting management practices that enhance animal agriculture; and, developing new technologies and alternative crops.

Title XIV can serve as the catalyst in helping us reach solutions to the needs and concerns facing American agriculture. To do so, a revised Title XIV must do the following:

1. maintain the Department of Agriculture as the lead agency in the federal government for the food and agricultural sciences;
2. strengthen the coordination and planning of the food and agricultural research, extension, and teaching programs (this should include identifying the needs and establishing program priorities);
3. assure that research results in the food and agricultural sciences are effectively communicated and demonstrated to producers, consumers, and all other users;
4. encourage continued cooperation between the federal government, the States, State agricultural experiment stations, colleges and universities, cooperative extension services, and user groups in the areas of research and education relating to food and agricultural sciences;
5. enable the federal government, the States, colleges and universities, and others to implement research, extension, and teaching programs in the food and agricultural sciences by improving existing programs and establishing new programs;
6. provide grants for facilities and instrumentation used in research for food and agriculture sciences; and,
7. award education grants and fellowships for research, extension, and teaching programs in the food and agricultural sciences on the basis of competition.

The successful partnership between the federal government and the States in providing research, extension, and teaching programs has provided the United States with the most productive and efficient food and agricultural system in the world. North Carolinians are extremely proud of and depend heavily upon this system which provides food, economic security, and a quality of life for all Americans and other nations around the world. Our food and agricultural system is dynamic and constantly changing, and our research, extension, and teaching programs must be able to influence the direction of change.

Mr. Chairman, you and your colleagues have demonstrated your strong commitment to maintaining the efficiency and productivity of our food and agricultural system. I trust that your commitment will continue in efforts to revise and strengthen Title XIV so that this nation's agricultural system can safely and productively meet the demands of the 1990s and the next century.

Thank you. I will be happy to answer any questions.

NORTH CAROLINA AGRIBUSINESS COUNCIL, INC.

211 Alleghany Building / 3701 National Drive / Raleigh, N.C. 27612-4864 / (919) 782-4063

February 7, 1990

The Honorable Kiki dela Garza, Chairman
House Agriculture Committee
U.S. House of Representatives
Room: 1301 LHOB
Washington, DC 20515

Dear Congressman dela Garza:

This letter conveys the N. C. Agribusiness Council, Inc.'s serious concerns relative to issues impacting the 1990 Farm Bill. We are interested in the specific commodity legislation, but a major concern is the way environmentalists are attempting to use the Farm Bill as a vehicle to create programs putting additional constraints on agribusiness.

It is astounding that crusading organizations go to Congressional hearings and get much attention armed only with opinion and inflammatory rhetoric with no science to back up their position. By the time the agribusiness community can respond with facts based on sound scientific data, opinions have already been made and their position compromised to appease environmental groups.

Hearings are being held across the country to get input into what changes need to be made in the 1990 Farm Bill. These hearings are focusing on the commodity programs which are what the Farm Bill should concentrate on. We believe the special interest groups are prepared with legislation that will lead to "prescription" farming with government dictating what is grown, which fields are used, and what kinds and amounts of fertilizers and chemicals may be used.

Farmers have been environmentalists longer than any other segment of our society. Prospects of having others attempting to put responsibility for the nation's environmental problems on the backs of farmers via the 1990 Farm Bill is totally unfair.

The Agribusiness Council represents a broad cross section of the industry in North Carolina. The total industry in 1987, accounted for 34.11% of North Carolina's gross product and 28.92% of its jobs. Agribusinesses in North Carolina, from producer to consumer, are responsible stewards of the environment and are making a positive contribution to the economy and the quality of life in this State.

Please take these concerns into account as the 1990 Farm Bill is written and resist the assault that is being made on the ability to produce food and fiber that feeds, clothes and houses all of us.

Very truly yours,

M. S. Williams

M. Sherrill Williams
President

FORMULATION OF THE 1990 FARM BILL

(Secretary of Agriculture Clayton Yeutter)

TUESDAY, FEBRUARY 20, 1990

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m. in room 1300, Longworth House Office Building, Hon. E (Kika) de la Garza (chairman of the committee) presiding.

Present: Representatives Huckaby, Glickman, Stenholm, Volkmer, Hatcher, Tallon, Olin, Penny, Stallings, Nagle, Jontz, Johnson, Sarpalius, Long, Condit, Dyson, Lancaster, Madigan, Coleman, Marlenee, Stangeland, Morrison, Gunderson, Lewis, Smith, Grandy, Herger, Walsh, and Grant.

Staff present: Bert R. Peña, staff director; Daniel E. Brinza, counsel; Vernie Hurbert, associate counsel; Fred J. Clark, associate counsel; Joseph Muldoon, assistant counsel; Charles Hilty, minority staff director; William E. O'Conner, Jr., assistant minority staff director; John E. Hogan, minority counsel; Alice Devine, minority associate counsel; Glenda L. Temple and Francie Monaghan, clerks; Howard Conley, James A. Davis, and Xavier Equihua.

OPENING STATEMENT OF HON. E (KIKA) de la GARZA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

The CHAIRMAN. The committee will be in order to begin the hearing on formulation of the 1990 farm bill. The Secretary is here. We would invite the Secretary, his Deputy, and whoever accompanies him to kindly come to the witness table.

Mr. Secretary, the members have been advised of your time constraint. Hopefully, each member will have an opportunity to visit with you.

We welcome you as we begin the process of our labors on the 1990 farm legislation, I am sure all the members now have copies of your "Green Book" of the administration's policy recommendations. We have the administration's budget, on the other hand, that advises us of their desires with regard to the budget. So we begin here the process with you today, Mr. Secretary, to see how we can together draft the 1990 legislation for which both the administration and the Congress might be remembered with some degree of charity as having done our best in the end. So hopefully we will do something worthy of remembering in the future.

[The prepared statements of Chairman de la Garza and Mr. Walsh follow:]

STATEMENT BY REP. E (KIKA) DE LA GARZA OF TEXAS

SECRETARY OF AGRICULTURE'S TESTIMONY ON FISCAL 1991 BUDGET AND 1990 FARM BILL PROPOSALS

House Agriculture Committee Hearing
Washington, D.C., February 20, 1990

Good morning. This is the first meeting of the Committee on Agriculture in Washington during the 2nd Session of the 101st Congress. I welcome back our Committee Members. I can assure you we will become intimately familiar with this room in coming months.

We have a very busy and challenging agenda ahead of us this session. The agenda includes not only the hearings and markup sessions to develop the new omnibus farm bill, but also several other important legislative measures that are under consideration separately -- rural development, commodity checkoff proposals, and seafood inspection -- to name just a few.

I would point out that in preparation for the next farm bill, this Committee and its Subcommittees have held numerous hearings here in Washington and around the country since May of last year.

We have listened to producer organizations, food processors, consumer groups, environmental interests, farm input suppliers, the scientific community, food assistance advocates, and many, many others. We have learned their views about current policy and we have heard their wish list for this next farm bill.

We are now entering the second stage of the legislative process -- putting proposals down on paper. Two weeks ago I introduced, along with my colleague from Illinois, Mr. Madigan, H.R. 3950, the Food and Agricultural Resources Act. It is our intent that H.R. 3950 serve as the markup vehicle for what will become the 1990 farm bill.

While H.R. 3950 continues the policies set out in the 1985 farm bill, it is meant to serve only as a bipartisan starting point in our deliberations on this farm bill. We recognize that agricultural policy must be finetuned or in some cases changed to meet the domestic and global challenges facing American agriculture in the 1990's. It is up to a majority of this Committee's 45 Members to decide the final form this farm bill takes before we go to the House floor.

In many ways, the 1990 farm bill will be shaped by the budget. Throughout our farm bill deliberations, we need to be conscious of how best to maintain and enhance the health of our agricultural economy with the limited resources available.

Today we have asked our distinguished witness, Secretary Yeutter, to appear before the Committee on Agriculture this morning to discuss with us the Administration's proposals for the 1990 farm bill and their fiscal 1991 budget submission.

Some Members of this Committee, including myself, are concerned about certain proposals offered or not offered by the Administration. We also have concerns about the gap between the rhetoric and the budgetary reality in the Administration's farm bill suggestions and its budget proposal.

Nevertheless, it is my sincere hope that we can begin this process in a spirit of cooperation and not confrontation, and that we can work out our differences and reach agreement on a farm bill in an expeditious manner.

I understand the Secretary has to leave by 11:45. We wish he was able to stay longer today, but we will undoubtedly have more opportunities to meet in this room.

To provide as many Members as possible an opportunity to engage the Secretary in dialogue on the issues raised by the budget and the farm bill proposals, I will recognize my senior Republican colleague, Mr. Madigan, for a brief opening statement and then allow the Secretary to present his testimony. And without objection, any other Member may submit an opening statement to be included in the record.

JAMES T. WALSH
MEMBER OF CONGRESS
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Congress of the United States
House of Representatives
Washington, DC 20515

COMMITTEE ON AGRICULTURE
SUBCOMMITTEES:
LIVESTOCK, DAIRY, AND POULTRY
DEPARTMENT OPERATIONS, RESEARCH AND FOREIGN AGRICULTURE

CO[illegible]TEE ON HOUSE ADMINISTRATION
SUBCOMMITTEES:
OFFICE SYSTEMS (RANKING)
ELECTIONS
LIBRARIES AND MEMORIALS

SELE[illegible]MMITTEE ON CHILDREN, [illegible]H AND FAMILIES

Opening Statement for the Honorable James T. Walsh
Committee on Agriculture
February 20, 1990

Mr. Chairman - I appreciate the opportunity to say a few words before Secretary Yeutter addresses the Committee.

Firstly - I welcome you, Mr. Secretary and I look forward to hearing your remarks especially in the dairy area. As you know, dairy is the dominant sector in agriculture in New York. Although I am relatively new to this committee - I have learned quickly of the concerns of the dairy community.

Mr. Secretary, I am extremely concerned about the dairy price support system. I do not want to see a reduction in price supports for milk. Despite the recent price support cuts - dairy farmers are finally getting back on their feet financially. They are learning to do more with less as we have demanded this of most of our constituents.

However, further cuts in price supports may prove to be devastating. What we need is a long term financial plan that will bring stability to the dairy industry. Quick fixes are notoriously a mistake.

I hope that you will work with us to establish a fair program for all farmers.

The **Chairman**. Mr. Madigan.

Mr. **Madigan**. I have nothing to say this morning except to welcome our good friend, the distinguished Secretary.

The **Chairman**. Without objection, any other prepared statements received from our members will appear in the record after my opening statement. Thank you.

Mr. Secretary, we will be happy to hear from you for whatever comments you may wish to make at this time, and then we will proceed with members' statements and/or questions.

STATEMENT OF CLAYTON YEUTTER, SECRETARY, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY JOHN CAMPBELL, DEPUTY UNDER SECRETARY, AND SCOTT STEELE, DEPUTY BUDGET DIRECTOR

Secretary **Yeutter**. Thank you, Mr. Chairman. It's always great to be back before this committee. You have a lot of very diligent people who have worked hard on farm legislation through the years. Many of you were intimately involved in preparation of the 1985 farm bill, which has worked very well in subsequent years. Some of those who were intense critics of the 1985 legislation have now changed their minds about that bill and have concluded that it really was the right prescription for the time.

As you know, it has brought us back into the international marketplace in a very significant way, with exports having increased dramatically since 1986, in particular. It has also increased farm incomes very significantly. For a while, that was a very costly proposition. You will recall that we had $26 billion of expenditures in this program in fiscal year 1986. But, since then the situation has moderated considerably and the legislation seems to be working very well, Mr. Chairman, with farm incomes having risen significantly over the last 3 years, even though expenditures under this legislation have gone down during those same 3 years.

Therefore our proposals that we are prepared to submit to you, Mr. Chairman, really constitute modifications of the 1985 act. We see no reason to make any radical departures from that legislation. Presumably, you see it the same way because you and Congressman Madigan have already introduced legislation that would simply extend the 1985 act, almost verbatim. I know part of that is simply to provide a mechanism for your subcommittee chairmen to utilize in this process.

My evaluation of the situation is very similar to yours. What we ought to do is try to modify the 1985 act in such a way as to make it perform better than it has been, if we can, to make it serve American agriculture better.

That was really the intent of the Green Book. I am not going to spend a lot of time discussing the content of this book, since you all have it by now, but you can tell that we put a lot of work into this product over the last several months. That effort was headed by Under Secretary Crowder, as you know, and John Campbell, who is here with me this morning. Under Secretary Crowder would be here, too, except that he is over testifying to the Ways and Means Committee at this time.

They headed up an interagency effort within the Department, involving about 18 different committees that worked our proposals, and this publication is the final outcome. We tried to do this in a way that is very readable, Mr. Chairman. As you know, there are something like 70 proposed amendments or modifications to the 1985 act in this publication that are all written up in the form of the issue, the background, and the administration's recommendation. So those are for your use and the use of the agricultural community as the debate unfolds over the next few months.

We tried to make this as much of a finished product as we possibly could, Mr. Chairman, because we agree with you that time is of the essence on this bill and we ought not delay the legislative process inordinately. The wheat farmers, in particular, would love to see a bill passed by the time they start planting, for a change. Congressman Glickman and others are well aware of that concern. It is one that has rarely been accommodated in the past, if ever. If we could do this before your summer recess, it would be a real contribution to those wheat producers, and I would hope we can.

I would simply add, Mr. Chairman, that we have drafted legislation that supports all of these recommendations—that is, all of them that require legislation. There are a few issues that we believe can more appropriately be handled through administrative action rather than legislative action, so we will not submit draft legislation on those.

But whenever you are ready, Mr. Chairman, or whenever your subcommittee chairmen are prepared to take up the individual issues that are enumerated here, or others, we are prepared to work with you and we are prepared to provide specific legislative language.

Now, if I could just quickly cover a few of the major proposals that are in this legislation, I will do that.

One of our major proposals, of course, relates to flexibility. I suspect that there will be a lot of discussion of how we can best make the 1985 farm bill more flexible to meet the desires of farmers. There is no question, Mr. Chairman, that we have made farm legislation more rigid through the years, often for budget reasons and sometimes for other reasons. But, farmers would clearly prefer additional flexibility because it will give them the prerogative of operating their farms the way they would like to run them, the way they believe their efficiencies would be most enhanced. Obviously, if that can be done, that adds to our international competitiveness and that's a crucial factor in the long run.

We have built a substantial amount of flexibility into the proposals that are incorporated into the Green Book. We have tried to respond to the soybean problems that have existed in recent years, where we have lost significant market share of soybeans internationally. So by creating, in essence, a base for soybeans that would be treated similar to the existing bases in the program crops. We will provide some response to the tilt that has existed in recent years against soybeans and for the other program crops. We believe that will be particularly helpful in the soybean area.

Of course, within that modified normal crop acreage concept, there is a great deal more flexibility for any of the existing program crops. I have heard concerns expressed by some folks in the so-called "one crop" production areas—concerns that there will be additional production of that crop or others like it with this flexibility and that they will not be able to benefit therefrom. I'm not so sure that their concern is a valid one because—looking at it from the standpoint of wheat producers, for example, which is where some of this concern emanates from—there are folks in the feed grain producing area in the eastern Corn Belt or central Corn Belt who are not going to plant a lot of additional wheat unless the price signals indicate that that's a desirable thing to do. If price signals are that positive for wheat in the eastern Corn Belt, they will be positive for wheat out in wheat country, as well.

The additional flexibility applies also to the acreage reduction programs. As you can see, we have provided some opportunities for people to set aside acreage if they feel it is desirable from the standpoint of their own operations to do so. They will have to give up some deficiency payments if they do, but at least we propose to give them that option.

The same thing applies to the opportunity to go beyond base in certain situations if a farmer is willing to forego deficiency payments. This is something comparable to the Wheat Program that exists today.

There is more to the flexibility provisions than that, but overall we believe there are quite a number of options for dealing with flexibility in our proposals. They are not sacrosanct. There are a lot of ways in which to provide additional flexibility for farmers. If the committee wishes to alter them in some way, that's certainly acceptable as long as we try our best to meet the fundamental objectives here, which are to achieve a more efficient agricultural sector.

We have made a couple of other changes for acreage reduction programs too, that we think will be helpful. One is the proposal that we use stocks-to-use ratios in establishing how much acreage will be set aside. Under our proposal we will still do individual acreage reduction programs for each of the crops—one for wheat, a different one for feed grains, a different one for rice or cotton—but we believe that instead of stocks ratios, which have been used in the past, we really ought to use stocks-to-use ratios because adding that use dimension provides the reflection of growth in market size that isn't there if we simply establish acreage reduction levels only on the basis of stock levels. So we think the right measuring stick for set-asides is a stocks-to-use ratio for these program crops.

There are some other reasons for this, too, in terms of avoiding extreme swings on setting aside acreage, either too much or too little, based upon budgetary considerations and other things, that can really hurt us in terms of the way we handle this issue internationally.

We have also added a multiyear set-aside which has some environmental benefits. One of my concerns with the annual programs is that we haven't had cover on a lot of this land that is as good as I believe it should be. Therefore, we have added some provisions here that would call for a multiyear set-aside, with the cover being either permanent cover where we would do cost sharing, or else an annual cover. If the farmer chose annual cover, we would not do cost sharing. But we think there is some benefit to getting better care of that set-aside acreage, and we believe there ought to be enough flexibility that we could induce and encourage some multiyear set-aside acreage here.

We have built in a number of other environmentally friendly programs as well. I believe that's appropriate and something that is of interest to a good many of you. I would just articulate those very quickly. Most of them relate to the Conservation Reserve Program whereby we are now proposing to extend that program until 1995, keeping the 40-million-acre target that the Congress has articulated at an earlier time. We are proposing that for new contracts that would be executed under the extension, or any new contracts in the future for that matter, the land would be encouraged to remain in Conservation Reserve kind of programs beyond the expiration of the contracts by requiring a certain "T" value on soil erosion if it were to come back into production.

Further, we are proposing to change the thrust of the Conservation Reserve contracts that are signed in the future, giving much more emphasis to ground water quality and also to restoration of wetlands. That should be very, very helpful.

Not included in this package but also very relevant in the environmental area is, of course, the President's, "America the Beautiful," initiative which would involve the planting of about 1 billion additional trees per year. We believe that will have a great deal of appeal everywhere, including within significant segments of the agricultural community, particularly in the South, because a lot of this tree planting is intended to go on pasture lands, and a good many of those lands are in the South. That's a very significant effort to which additional funds have been proposed in our fiscal year 1991 budget.

On stocks policy, we propose to make some changes in the Farmer-Owned Reserve because that just hasn't been working in what I would deem to be a satisfactory way. Even in the aftermath of a very severe drought in 1988 and some more adverse weather conditions in 1989, we haven't brought grain out of that Reserve into the marketplace when it has been needed. We need to respond to that issue because we have to be in the marketing business and not just in the storage business. The marketing dimension ought to be paramount. The storage dimension is important for farmers, but it ought to be a secondary consideration to the need to develop and hold markets. Therefore we are proposing to continue with a multiyear Farmer-Owned Reserve but with annual contracts which would provide some additional flexibility on bringing the product into the marketplace.

On the international programs, basically we have proposed that they all be extended: The Export Enhancement Program, GSM Export Credits, the "TEA" Program and others, so I'll not say any more about that.

Crop insurance and disaster legislation—this is going to generate attention by all of you, and I hope we can come out with a logical solution to a very difficult issue. Congressman Coleman is particularly interested in this. His subcommittee members, along with Congressman English, have been working on it. Others have an interest, as well. We have had a Crop Insurance Commission that provided a report to us last July.

As you know, Mr. Chairman, the bottom line on this is that we have suggested shifting to standing disaster legislation because we have not yet concluded that there is a feasible way of fixing the Crop Insurance Program without breaking the bank. If there is, we would be delighted to look at it. I know that you and others would like to see if there is a way to alter the Crop Insurance Program dramatically to make it a feasible risk-management mechanism for farmers. If you can do that, we would be pleased. We would be glad to make available to the committee all of the analyses and all of the work we've done on this area thus far, which is quite a lot, and we will be delighted to work with you to see whether there is a crop insurance alternative that will do the job.

I have come to the fundamental conclusion—and I say this in oversimplifying to some degree—that we are not going to get the job done with a voluntary Crop Insurance Program. If crop insurance is to do the job, it is going to have to have some mandatory features to increase participation levels to the point where the program will be economically viable. It is not economically viable today. It has participation rates that are too low, and as a consequence we end up with disaster legislation superimposed on crop insurance, and we just can't afford to proceed on that basis in the future.

There is a considerable tightening-up of our Farm Credit programs in our "Green Book" proposals, Mr. Chairman. I won't go into those now in detail. We can handle some of that in questions if you would like to do so. But certainly, our view is that tightening is long overdue. We are absorbing losses under our Farmers Home programs that are simply too great, and in my judgment we have interest rate subsidies in both Farmers Home and in REA that are greater than we can afford. We have spent a lot of money on those programs, and in a time of budget austerity they simply become more and more difficult to defend.

To give you just one specific example, Mr. Chairman, our fiscal year 1991 budget will include losses in Farmers Home loans of $10 billion. We will writeoff $10 billion in fiscal year 1991. My judgment is that we should not operate a program in that manner.

There are a few recommendations on food stamp integrity that are very interesting, and some programs for the homeless that have a lot of imagination to them.

Then in the grain quality area, which will be of concern to some members of the committee, Mr. Chairman, we have proposed aflatoxin testing on all grain that is exported to add to our quality reputation.

The final point I would add, Mr. Chairman, is that the Green Book does not include any recommendations in terms of budget disciplines. We excluded that from this presentation. Obviously, the budget cannot be excluded from the process. At the end of the day we are prepared to discuss all aspects of this farm legislation in terms of both policy and budgets whenever you wish. That applies not only to price and income supports, but also to the loan programs, food stamps, the School Lunch Program, and everything else.

I don't think that now is the time to do that, but certainly we are ready when you are.

As you know, our fiscal year 1991 budget includes $10.2 billion for price income supports. That's $1.5 billion below baseline. It is $2 billion above expected expenditure levels for fiscal year 1990. Some have criticized us for not being specific and explicit about how to reach that target of $10.2 billion. The fact is that there are lots of ways to do that. We may want to do it differently in feed grains than we would in wheat, or differently in wheat than we would in rice and cotton. When your subcommittees are ready, Mr. Chairman, or when you are ready at the full committee level, we will be prepared to sit down and discuss all the ramifications of adjusting target prices, payment bases, payment limits, and any of the other variables that are involved in that process.

Mr. Chairman, that's more than enough commentary on my part. Let's go to questions or comments from your side.

[The prepared statement of Secretary Yeutter appears at the conclusion of the hearing.]

The CHAIRMAN. Thank you very much, Mr. Secretary.

First, let me commend you and Under Secretary Crowder for all the work on the Green Book. You mentioned that it is readable. That's one of the first occurrences in my experience with the Federal Government that you can take it to the Main Street barber shop and all the guys there can read it. I think this is commendable, it's concise and to the point. We may not agree with everything that is in there, but the most important thing is that it's readable and that anyone can look there and see what your position is.

On the budget discipline that you mentioned, Mr. Secretary, this committee—perhaps more than any other committee in the House—has exercised great discipline in the budget. We have provided the amounts requested of us, although unfairly, including this year. We are less than 4 percent of the budget—all of agriculture. The support programs are less than 1 percent of the budget. But yet we are asked to come up with 18 percent of the cuts. The last time it was 16 percent. I think this is unduly harsh.

But we have always been responsible. We will continue to be responsible. The world little notes that every time someone through human error—yours or theirs—some farmer gets a few more dollars than was intended, it makes the front page. I have made the challenge, "Write any law, give it to me, and I'll find a loophole somehow."

This morning on the radio I heard that some farmers got more from the Disaster Program, but it said that the Department had said that you will want it back. I commend you for that. We can't eradicate human error. My frustration is—back again to the chart—if you can see that tiny little black line, that's all we spend. More money than that got lost during the lunch hour one day at HUD. [Laughter.]

But yet, all I hear is that somehow there is this obsession of bashing the farmer, bashing the Agriculture Department. We have been most responsible. We have reduced spending over $32 billion in the past 10 years. This is the amount that we spend. We're the best-fed people in the history of the world for the least amount of disposable income of any other people in the world. One farmer out there gets a few pennies more than he was supposed to, and it makes AP, UPI, Reuters, the front pages. I'm getting a little frustrated. Perhaps I'm asking for more coverage in that area, but I think one of those missiles out there costs more than that little line. Heaven knows what all you could buy with what's out there. If there is any subsidy, the American consumer is being subsidized on the backs of the American farmer. That's where the subsidy is. But yet, there is frustration.

I have a couple of specific questions, Mr. Secretary.

In Puerto Rico, they are very concerned. They have come here on food stamps. A cut of $112 million has been made, from $937 million to $825 million, and $825 million is what they had in 1981. Plus something that I know didn't come from you, it has to come from OMB or other areas, that nutrition assistance be transferred out of the Department of Agriculture to HHS. I'm very concerned about this. We want to work with you, because we want to keep it at USDA. Certainly our brethren in Puerto Rico die in the wars just like we die. They are our brethren. They are American citizens. The main thing, as I see it, they bring the coffins with the flags on them the same as they do on the mainland, and they shouldn't be treated differently.

Secretary YEUTTER. Let me ask Scott Steele if he can comment on the budget item on Puerto Rico, and then I'll comment on the nutrition issue.

Scott.

Mr. STEELE. Thank you, Mr. Secretary.

Mr. Chairman, our budget calls for a block grant to continue for Puerto Rico, but the block grant would be shifted from our Department to HHS. That decision was not made by the Secretary. That was made at OMB and with the President, at higher levels. So we are just following through on the instructions that we were given. But it is an $825 million block grant, which is slightly lower than it was previously, I think.

The CHAIRMAN. They are brought back to the 1981 level.

Well, we will be discussing that with you and/or OMB down the line.

Secretary YEUTTER. Let me just add, on nutrition issues, Mr. Chairman, that's a longstanding tug o' war between USDA and HHS. It certainly reflects no controversy between Secretary Sullivan and me. We have an excellent relationship on everything. But down within the systems, this is a traditional turf battle over dealing with nutrition education and monitoring responsibilities. I suspect it will go on for a long time in the future. It should be of interest to you and to us as well. So we will appreciate your cooperation and support in properly defining the respective roles of USDA and HHS in this area.

The CHAIRMAN. The committee, of course, will act and exercise its best judgment, but as for me, I'm with you.

Mr. Secretary, just briefly, today we will introduce a bill allowing the Department of Agriculture to sell the sterile screwworm flies outside of this hemisphere, and we will be working with you on that. Later we will discuss continuing the barrier down to Panama. I mentioned earlier that one of the injured or wounded from the Panama operation came back—he lay in the field, I don't know how long, but he had larvae from the screwworm fly, just during that very short time in Panama. Our intent is to move the barrier all the way to the Isthmus.

I thank you very much, Mr. Secretary.

Mr. Madigan.

Mr. **Madigan**. Thank you, Mr. Chairman.

Mr. Secretary, if I may quickly bring up three or four specifics. The American Soybean Association has proposed a graduated Equity Loan Program for soybeans that they would like to see in the 1990 farm bill. Do you have a reaction this morning to that proposal?

Secretary **Yeutter**. Yes, Mr. Madigan. I would react first of all by saying that I have a great deal of empathy for that industry and the problems it has experienced in recent years in competing internationally at a time when soybean production has dropped off here in the United States. As I indicated earlier, without a doubt the existing Farm Program tilts against soybean production because there is no deficiency payment encouragement to soybean production as there is to feed grain production.

The consequence of that and other factors is that we have lost a lot of market share internationally with soybeans and soybean products. We have tried to respond to that in our own legislation, as I already indicated, so I'll not discuss that any further.

The proposal by the ASA would go well beyond that, of course. My only remark to that is that it's an expensive proposal as we view it. We have seen some of the estimates of economists who have provided counsel to the Soybean Association on that issue. Their numbers are much lower than ours. In other words, our own economists see that program as being much more costly than the figures that have been provided by the American Soybean Association. I wish that were not the case, but it is. If our own calculations are anywhere near in the ball park, we just can't afford to enact a program with that much additional cost.

Mr. **Madigan**. With regard to this question of disaster programs versus crop insurance programs, in my State now the Crop Insurance Program seems to be coming along in terms of farmer participation. The crop insurance people tell me that among the agricultural producing congressional districts in my State, the lowest participation now is 50 percent, and in my own district it is up over 80 percent.

But whether we do a Crop Insurance Program or a Disaster Program, one of the features of either that farmers most object to—and it seems to me one of the ways of making the Crop Insurance Program more attractive—is to let them use their proven yields rather than county yields. But I notice that in your Disaster Program proposal you would stick with the county yields rather than the proven yields.

Could you expand on why you chose to do that?

Secretary **Yeutter**. Sure.

First of all, with respect to participation levels, you are right, Mr. Madigan. You have gotten up to higher levels in your area than in most of the country, and in some areas we have had increases, too, because of requirements of the 1988 act necessitating sign-ups in 1989. But overall, we are still only in the 40 percent area nationally, and that's just too low. We really need to get up to

80 or 90 percent or somewhere in that vicinity, in my judgment, if we're going to be able to discourage the additional passage of ad hoc disaster legislation. The question is: How do we get up to that level? That is a question to which we have not found a satisfactory answer yet.

But to be specific on your additional question of proven yields, we have omitted that in our particular disaster proposals simply to try to keep the cost of the program in the ball park. I have no trouble at all conceptually with proven yields, Mr. Madigan. In fact, conceptually I would say that they would be preferable, but there is an additional price tag attached, so it is simply a budget factor in my judgment. If we could use proven yields while designing a program in such a way that it would meet budget objectives, I would have no difficulty at all with that.

Mr. MADIGAN. Mr. Secretary, are there things in your green book that are more important to you than other things? Are there things that you would want to emphasize this morning as being the first or second most important thing to you?

Secretary YEUTTER. I suppose primarily those that I mentioned in my oral testimony. I may have omitted a few, and I can certainly prioritize within that list, but my judgment, Mr. Madigan, is that all of these are issues worth discussing and debating in the context of your 1990 legislative activities. In other words, I doubt that I would drop any of them from your list of deliberations over here among the subcommittees and the full committee. Some of them are clearly not as important as others. Some of them are housecleaning kinds of things and miscellaneous proposals, but if we can do some housecleaning and improve the legislation a bit without using a lot of time in the process, why not do so?

Clearly, if we run into a time problem, Mr. Madigan, and we need to delineate priorities with greater specificity and fewer numbers, we will be ready to do so.

Mr. MADIGAN. If I can just pick up quickly on something the chairman said, he talked about the cost of missiles. I watched a program the other night on television where they were explaining the missiles that they put under the wings of airplanes to shoot at other airplanes, or to shoot at tanks. They are now $730 million apiece. I thought that had to be a mistake, that they must have meant $730,000 apiece, but then they talked about the total purchase and it was in the billions of dollars. They are $730 million apiece. This is to shoot at an airplane or a tank, one missile.

If we take the $1.5 billion out of farmer income support that is recommended in the budget, that would buy two missiles. I just wanted to share that with you for when you get in the arguments downtown.

Thank you, Mr. Secretary.

Secretary YEUTTER. Thank you, Mr. Madigan. I hope you will make those same arguments to the House Budget Committee.

The CHAIRMAN. That little black line won't buy one of those missiles. [Laughter.]

Mr. Secretary, I will now go to the members. We will use the usual procedure, which is well-known to the members, the time of arrival.

We have 24 members, and if we allow 3 minutes, that will be 72 minutes. That's about what we have the Secretary here for, so we will go two members on the majority and then one member, and that way we will wind up even.

Mr. Huckaby.

Mr. **Huckaby**. Thank you, Mr. Chairman.

Welcome to the committee, Mr. Secretary. I continue to appreciate your grasp of the details of farm legislation. It is much appreciated.

It is my understanding that the administration will continue to support the marketing loan provisions of the cotton and rice sections of the farm legislation. Is this correct?

Secretary **Yeutter**. That is correct.

Mr. **Huckaby**. Thank you.

Regarding sugar, as you know, sugar is one of the most controversial commodities for some reason or other that we consider every 5 years. There have been GATT rulings saying that the existing Sugar Program does not comply with international trade practices.

Would you support legislation that extended the Sugar Program at the current $0.18 loan level, and complied with the existing Australian GATT complaint?

Secretary **Yeutter**. Well, I would obviously want to see the specifics of the legislation, Mr. Huckaby. But as you know, in our Green Book we have not recommended changes in the Sugar Program. That was a deliberate decision. The reason for that is that sugar is a multilateral issue rather than a unilateral or a bilateral issue, and we ought to deal with it on that basis in the Uruguay Round. Therefore, if we are to make major changes in our sugar regime, we ought to do it in the aftermath of the Uruguay Round, after we have convinced other folks to make major changes in their sugar regimes. We'll have to see how that tradeoff comes out.

In the interim, though, between now and 1991, I see no reason to make significant modifications in our own sugar legislation. It may be that we would find it mutually desireable to make some changes at the margin. I am openminded on that and would be happy to work with you on that, Mr. Huckaby, but I don't see any reason to tamper in any significant way with the existing Sugar Program.

Mr. **Huckaby**. Thank you, Mr. Secretary.

Regarding a major portion of your proposals in your Green Book, the flexibility, your return to the normal crop acreage concept, this frightens me. It gives me grave concerns. I could envision years when we would have massive shifts of millions of acres, moving from one commodity to another, and prices swinging radically as we have these movements, in my opinion.

Today we have a system where we can pretty well get our arms around what the domestic production is going to be, domestic consumption, exports, the size of an Acreage Reduction Program that we should have, so that we can get most of our farm income from the marketplace and not the Government. The 1985 farm bill moved us in this way, and your proposal, in my opinion, is a dramatic departure from the 1985 farm bill, like totally changing this base upon which we built our programs.

I will be introducing legislation this week with other members of the subcommittee for a different flexibility proposal that I would urge you to consider, that basically allows you to move 10 percent of your tillable farm acreage to account for soybeans, from commodity to commodity each year. We would build a base in 3 years instead of the existing 5 in some crops, and 2 for others. We would update yields to current yields, and we would do away with cost compliance.

I think these four provisions would maximize a lot of individual farmers, give them flexibility, and yet not cause massive shifts like I think your program would.

Would you respond?

Secretary YEUTTER. Sure. It's just a question, obviously, of defining how much flexibility would be desireable for farmers, and that's a judgment call.

My view is that there are not likely to be massive shifts at any given period of time. I don't believe we've seen that in the past. Farmers don't change their operations that quickly. We would certainly see more, but I would rather trust that to farmer judgment. They will be responding, Mr. Huckaby, to market signals. If the market is signaling a need for more corn and less wheat, then it's desireable to have the degree of shift that would be called for by market conditions. Is that likely to be massive? In other words, are we likely to see wheat prices go way down and corn prices way up in a given year? It's possible, depending on weather conditions here and abroad and other factors. It's not terribly likely, but it's possible.

It is also desireable to have that shift if that were the case. In other words, if we had a weather disaster in corn- producing country, with prices rising, we would want to plant more feed grains elsewhere—maybe out in wheat country with additional barley production or whatever it may be.

So it's a question of whether we fear market signals, and I really don't fear those signals. I have a lot of confidence in farmers being able to make their own decisions under those circumstances. Perhaps you have somewhat less confidence in that process, but farmers are very intelligent today and very sophisticated. I believe they're ready to handle that kind of decisionmaking process. Maybe they weren't 20 years ago or 30 years ago, but I really believe they have the sophistication to do it today.

Mr. HUCKABY. I would just argue for more stability than what your system proposes.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Glickman.

Mr. GLICKMAN. Thank you, Mr. Chairman.

Mr. Secretary, it is a pleasure to have you here. I have said that while I don't agree with everything you do, you're the smartest Secretary of Agriculture in recent memory, and I believe that very strongly.

Secretary YEUTTER. I'll accept that. That's the best I'm going to do this morning. [Laughter.]

Mr. GLICKMAN. I just don't like your philosophy on everything, but your intellect is unquestioned.

I also want to thank Mr. Campbell, who testified February 8 before the Wheat, Soybeans, and Feed Grains Subcommittee on some of these programs. He did a good job and I appreciate it.

I want to touch on two areas. One is soybeans, and one is the issue of targeting farm benefits.

You stated before that while you can philosophically understand the problems of soybean producers, you would not want to go down this road of a graduated equity loan for soybeans because of cost. Is there a philosophical opposition as well? That is, if we could work this out in terms of cost, would you be willing to accept this as part of our farm programs, either going with the equity loan—maybe with different numbers in order to get it in with cost—or else somehow otherwise getting soybeans into the program itself?

Secretary YEUTTER. There is not a philosophical opposition on my part to the marketing loan concept. Not everyone in the Government would agree with that viewpoint, of course, so you will find philosophical opposition to marketing loans here in Washington, D.C., but not from the Secretary of Agriculture.

Mr. GLICKMAN. Now, when you use the words "marketing loan," are you using the same kind of loan that is in the American Soybean Association proposal? They call it a graduated equity loan. To me, it's kind of a marketing loan.

Secretary YEUTTER. Yes. Philosophically, I don't see much difference between that and the rice and cotton loans.

Mr. GLICKMAN. So in terms of your concern it's a question of dollars, not a question of philosophy?

Secretary YEUTTER. That's correct.

Mr. GLICKMAN. Thank you.

Secretary YEUTTER. We may need to be a little more specific in terms of how it's going to be designed.

Mr. GLICKMAN. I understand. I agree with you, but I think very strongly that somehow we've got to take the inequities which work against soybean producers out of current farm programs. One way may be the NCA approach you're talking about, but I tend to agree with Mr. Huckaby. I think that may go too far, so we're going to have to look very carefully at providing reasonable protection for soybean producers because it is a very important crop in this country.

Secretary YEUTTER. We will be glad to try to work with you on that, Mr. Glickman.

Mr. GLICKMAN. Now, the second thing has to do with targeting. We talked about this a little bit when Mr. Campbell was here. It's this whole issue that if we have to cut a lot of money out of the agricultural budget—and I agree with Mr. de la Garza, that little black line is very low, indeed—but if we have to cut additional funds, I feel that we ought to make sure that the family sized producer is spared those cuts and that we try to go above that in terms of size. These are all very difficult things to define.

I got the feeling from talking with Mr. Campbell that as long as we in Congress did not interfere with the basic thrust of the 1985 farm bill in terms of international competitiveness, that you all would not have any philosophical opposition to either, A, putting some sort of aggregate cap on the size of a farm that would be eligible for farm payments, or, B, even looking at reallocating the dollars within the program itself—for example, maybe giving a higher target price to certain sizes of producers and scaling down the target price over and above that.

Now, I'm not saying we're necessarily going to head down that road, and I know there are a lot of folks who don't like this approach, but it looks to me like if we are truly under the budget axe and we have to make cuts, and if we also want to provide a benefit to what I call "midsize" producers, we ought to consider going down that road.

I wonder if you might comment on this?

Secretary YEUTTER. Well, as you know, we included some language in the budget presentation on that subject. It is not, however, included in the Green Book. But there has been considerable discussion on that subject, both internally within the Department and on a broader level within the administration, because we have to find some ways to save money in this process, as you point out.

We are willing to look at proposals in that area. Our own search thus far has not produced any viable ways of dealing with that issue, or ways that we would deem viable at this point. But if someone can figure out a way to build a better mousetrap in that area, we would be willing to look at it.

Mr. GLICKMAN. Well, we'll work with you.

Thank you very much, Mr. Chairman.

The CHAIRMAN. Mr. Coleman.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. Secretary, I too want to join with the chairman in commending you and the Department for putting out a publication which I think will add a lot of information out there in the public domain for everybody to discuss these issues and bring about a better understanding of what many people think are arcane farm programs. I hope you got my note that I sent down last week, because I meant it. When I read through this, for the first time it really represents for the layman and the casual observer as well as for those of us who work in these programs, and the media, an understanding of the various issues that we face. It is a booklet that goes some 150 pages, so we know we have a full plate this year.

Secretary YEUTTER. I appreciate your gracious note, Congressman Coleman.

Let me just say that this has really become a best seller. We have already distributed 10,000 copies and we are now going to do a reprint because there has been such an enormous demand for it.

Mr. COLEMAN. Great.

First of all, I am encouraged to hear your comments about flexibility in the Crop Insurance Program and the Disaster Program. I think we really do have a hot issue that you've thrown into the mix here that we may not have anticipated several months ago.

One of the things, regardless of what we do, the people who are in the insurance business now and the farm community as well need to know where they are going in the next year, in crop year 1991. I would impress upon you the fact that whatever we do, we ought to make sure that this transition is handled in an appropriate fashion for all involved.

Also, I would like to have you state here exactly what you feel the role of the Farmers Home Administration is under this bill.

You have suggested tightening up eligibility requirements and trying to get people graduated into the private sector, and this is something I would like to have you elaborate on briefly because I have a couple other comments.

Secretary **YEUTTER**. Thank you, Mr. Coleman.

In my judgment, the Farmers Home Administration has tilted over the last decade or so—under both Democrat and Republican administrations, so this is not a partisan comment in any way—into too much of a grant agency. I just do not believe that this committee ever intended for that to happen. I hope that was not the case. Certainly, it ought to fulfill what seemed to be its original role as a lender of last resort, an opportunity for young farmers to get started in the business, an opportunity for the disadvantaged to get started in the business. Of course, it has additional responsibilities in the rural housing area and so on.

But a lot of very dubious loans were made under this program over a very substantial period of time. Those are now coming back to haunt us. A lot of those loans are in default. Clearly, many of those are emergency loans. That's the largest area of default, but there are a good many others in the farm operating and farm ownership area that have also gone into default. Some of that clearly was due to the economic turmoil of the early- to mid-1980's, but a lot of it has also been due to what I would deem to be completely inappropriate lending practices. I say that with due respect to the folks who were out there administering these programs. In many cases—in most cases—these areas should not be attributable to them. They were under instructions to make loans when they probably should not have received those instructions from on high.

But for whatever reason, that whole program in my judgment has gone off on a tangent. Not only have dubious loans been made, but in my judgment we have also been using interest rate subsidies that are just out of line. How do we explain to a typical commercial farmer, a typical family farmer who is borrowing from his bank at 12- or 13-percent interest, that he ought to pay that interest rate for his whole operation, and then right down the street is a Farmers Home borrower who is paying 5 or 6 percent? Maybe that spread ought to be 2 percent or 3, or 4, or 5, but should it be 6 or 7? And should we be making rural housing loans a 1-percent interest? We are.

One really has to ask, how large a Federal subsidy do we want to put in these loan programs? We have suggested some changes to all this, Mr. Coleman, in our 1991 budget presentation. I won't go into all that now. We have suggested a whole listing of changes here, too. But I hope the committee spends some time on this issue, because my feeling is that we have been a bit nonchalant as a Government about the management, operation, and intent of this program over a good number of years. And by "we" I mean both the executive branch and the legislative branch of Government.

Mr. **COLEMAN**. Thank you, Mr. Chairman.

The **CHAIRMAN**. Mr. Stenholm.

Mr. **STENHOLM**. Thank you, Mr. Chairman.

Mr. Secretary, I share my colleagues' comments earlier about you. However, I think it is very important for you personally that we clear up something at this moment for the record. You have a look-alike walking around here. He looks like you, he walks like you, talks like you, but I know you and that other fellow isn't you. And whoever it was that made the speech last Thursday that has caused headlines in my hometown papers saying, "Yeutter: 'Stenholm's Dairy Plan Would Doom the Entire Farm Bill,' " I just don't believe it was you. [Laughter.]

No one as smart as you or as intellectual as you are, who has the ability to put together a "Green Book" could not have made such statements. Did you?

Secretary YEUTTER. As a matter of fact, I didn't say it in that way.

Mr. STENHOLM. Good. [Laughter.]

Secretary YEUTTER. I did make some comments, Mr. Stenholm, but they weren't quite in that manner.

Mr. STENHOLM. I think it would be very helpful if you would clean that up for the record.

Secretary YEUTTER. Well, I'd be glad to comment on it.

As you well know, my concern relates to dual price plans. That does not necessarily relate to a Stenholm program because I don't know what your program will look like or does look like at this stage, Mr. Stenholm.

But my fundamental point, as you well know, was that we are challenging a lot of two-price plans around the world that are impeding our agricultural exports, and we just would completely undercut our negotiating position in that area if we began to enact two-price plans here in the United States.

So that's the consideration here. Two-price plans have been very damaging to American agricultural exports, a major concern to our wheat and feed grain and soybean producers. We just can't put ourselves in a position where we undercut our effort to deal with some of those internationally.

Now, if you can design a Dairy Program that does not do that, we would be glad to look at the concepts and the proposals that are incorporated therein, but you do have to be very sensitive to the design of a program that could cause us big problems internationally.

Mr. STENHOLM. I thank you for that comment. I thought your statements would be more along those lines and I appreciate that.

We can do it. We don't have our plans yet so you couldn't really comment on them. We'll have our Green Book ready for you in 1 day or 2 and then we can comment on it.

My question to you is—in your opinion—can the American farmer compete in the world market profitably if there are no substantial changes in GATT this year?

Secretary YEUTTER. It is difficult to generalize, Congressman Stenholm, because that is going to vary product by product. It may vary from month to month and year to year.

Mr. STENHOLM. Some commodities could not. Others could.

Secretary YEUTTER. Without significant reform in the world in the world trade of agricultural products, we will find it increasingly difficult to compete. That's why we want to work so hard on reform over the next 8 to 10 months.

Mr. **Stenholm**. Well, I think you are going to find that the two-tier pricing, as we refer to it in dairy, or "triple-base concepts" as we refer to it in other crops, will be very compatible.

I appreciate your answer to that question. I happen to agree with you 100 percent on that answer.

The **Chairman**. If the members would allow the Chair just a few seconds here apropos the Dairy Program.

Mr. Secretary, again, the little line on what we do, the headlines and the 6 o'clock news had all this about butter and nonfat dry milk. It was on CBS News every day for I don't know how long, the cost of the Dairy Program and the cost of subsidizing or whatever.

As with the discipline that I mentioned earlier, we brought that cost down about 75 percent under the legislation. Now what happens? I pick up a newspaper in Los Angeles, California, and it says that the school lunch for needy children may have to go up $0.25 to $0.50 per child because they are not now getting that surplus that we were bashed on the head with that was sitting there, and that's what was coming around, to basically subsidize poor children, youngsters on the Free School Lunch Program.

I would have rather channeled it through a farmer and get it down to them, but we accepted the discipline. We brought the cost down. We brought the surplus down. Now the dairy industry is at least in a manageable situation, but now we may have to come up with money on this other side so that they don't up the price of the school lunch for the youngsters out there. This sensationalizing of what we do in agriculture, and I say it without any reservation, is almost with a vengeance against anything agricultural by the major media. It is very frustrating.

Mr. Volkmer.

Mr. **Volkmer**. Thank you, Mr. Chairman.

Mr. Secretary, I read over the front part of that book on the flexibility and found it very intriguing. However, I didn't find the words "double cropping" in there at all.

Secretary **Yeutter**. I haven't even thought about the double cropping point, but I assume that the farmer has.

Mr. **Volkmer**. We have farmers out there who double crop.

Mr. **Campbell**. We have assumed that if there is a double-cropping practice going and those people are currently accommodated, they would still be accommodated. We don't intend to have a discriminating impact on double cropping.

Mr. **Volkmer**. So in other words, I could plant all of my normal crop acreage in wheat, and if I have a corn base, get my deficiency and then put my soybeans in my wheat stubble and plant my beans and still get that corn deficiency? On my corn base land I would have two crops plus a deficiency payment?

Mr. **Campbell**. You wouldn't get a double subsidy on the corn acre, though.

Mr. **Volkmer**. No, I would get one.

Mr. **Campbell**. Right.

Mr. **Volkmer**. But I would get a deficiency payment, plus take off a wheat crop, plus take off a bean crop.

Now, on the same subject matter, flexibility. If I plant a cover crop, such as clover, what have you, and I only harvest for seed, I don't get any payment?

Secretary **Yeutter**. I'll let Mr. Campbell correct me, but as I recall, we would say no harvesting, period. I think that would apply whether it was harvested for seed or harvested for forage.

Is that correct?

Mr. **Campbell**. That's correct.

Mr. **Volkmer**. OK.

Under your proposal, if you go to a rotation plan you wouldn't have to stay with that rotation plan. Is that correct?

Mr. **Campbell**. That's correct.

Mr. **Volkmer**. In other words, if I wanted to plant wheat 2 years in a row instead of just 1 year out of 4 or 5 years, I could do whatever I want.

Mr. Secretary, what do you think about a proposed alternative that would require farmers, if they want to comply with their conservation plans—we've got these conservation plans out here now in my area, and I'm sure, in many areas of the United States where you have hilly, rolling land. Farmers are going to have alternatives to use rotation or use terracing or contour farming or whatever. What about a proposed option that would permit them to have a rotation plan approved by ASCS and SCS that would also comply with the conservation plan for their farm, with the understanding that they would have to stay with it? In other words, if I plan to plant corn 1 year and clover the next, then wheat, then soybeans in the wheat stubble, in a 4-year rotation crop, that I would have to stay with it. I couldn't divert from it. What do you think of that?

Secretary **Yeutter**. I'm not sure, Mr. Volkmer, why we would want to put that restriction on the farmer. I would rather keep it voluntary on his part rather than make it mandatory.

Mr. **Volkmer**. All right. If he doesn't stay with it and he doesn't comply with his conservation plan as a result of it—I plant corn 3 years in a row, and I'm not supposed to do that—are you going to waive the conservation plan requirement?

Secretary **Yeutter**. We would want to take a careful look at that. The whole thrust of our flexibility provision was to give that farmer a chance to work in clover or another legume into his plan, and if he felt it was worthwhile to do that over a 7-year rotation and he would be willing to forego deficiency payments that 1 year because of planting clover—except, of course, he wouldn't do that if he didn't harvest it—it might be worth it to do that, and we give him the flexibility to make that decision, including clover in his rotation.

Now, whether we go beyond that and say "You must follow that rotation," it seems to me that that's adding an additional regulatory feature that might be dubious.

Mr. **Volkmer**. Mr. Secretary, in certain areas of this country price alone is not what determines what a farmer plants.

Secretary **Yeutter**. Yes.

Mr. **Volkmer**. I mean, you just can't say "market price" and he's going to plant it for the market price. I've heard enough of that. We've got soil conditions out there in my area right now that are going to determine what a farmer plants or doesn't plant this spring. Then you also have, like I tried to bring out, these conservation plans out there. In certain areas, they are determining in a way what crops you can plant and can't plant. So it's not just price alone.

Secretary YEUTTER. Tell us what you have in mind, Mr. Volkmer, and we'll be glad to take a look at it.

Mr. VOLKMER. All right, thank you.

Secretary YEUTTER. Sure.

The CHAIRMAN. I thank the gentleman.

Mr. Marlenee.

Mr. MARLENEE. Thank you, Mr. Chairman.

Mr. Secretary, the rosy glow of profit and prosperity has not reached Montana, South Dakota, North Dakota, and Nebraska—and Minnesota, for that matter—as your hired gun there, John Campbell, who served us so well up here, can tell you. Several years of drought, prices drifting between $3 and $4 a bushel, have destroyed the economy and the infrastructure.

The chairman of this committee, Mr. E (Kika) de la Garza, visited my district not long ago, Shelby, Montana, in what's called the Golden Triangle. I have to tell you that the only gold he found there was in the eye teeth, and that was being stolen by high costs.

I have some suggestions, Mr. Secretary, that in those areas that have been devastated by drought—say that they have a 60 percent crop, or where the price is 60 percent of target price—that the advanced deficiency repayment that we gave those farmers be deferred indefinitely to some point.

I really wanted you to comment on the Federal crop insurance. I wanted to make some comments myself before you did.

In 1981, Congress made changes in Federal crop insurance and eliminated the Disaster Program under the promise that Federal crop insurance would be affordable and available. That's a pact that we made with the producers.

Congress reaffirmed that position by passing legislation creating a committee to recommend changes to create a viable, actuarially sound program.

My suggestions are, one, that elimination of the Federal Crop Insurance Program is a breaking of trust by the committee and by the administration.

Two, given the vagaries of budget and the uncertainty of action by Congress, dependence on a Disaster Program by a single producer would be worse than putting your money on a roulette wheel in Las Vegas—unless, of course, you happen to be from the Kansas area.

Three, Farm Credit institutions are uneasy about extending credit to marginal producers without coverage. Eliminating Federal crop insurance would pull the rug out from under those producers.

Four, pockets of poverty and pockets of disaster and drought do not have the influence to be able to trigger a disaster designation. If they have a disaster in 4, 5, or 10 farms, or even 5 or 10 counties, again, unless you are from Kansas or some similarly influential area, the chances of getting any disaster assistance would be nil.

Five, when we do have a broad-spread disaster, the costs under the Disaster Program are tremendous. The costs will actually be greater because you don't have the producer participating in a premium program.

What I would ask you is if we have not expanded the Federal Crop Insurance Program too far and made it too complex? And would you consider a possible supportive program, scaled down as to commodity, and one that is more actuarially sound?

Secretary YEUTTER. We could spend a lot of time on that question, Congressman Marlenee. We don't have it, so let me just make a couple of comments.

One, I'm not sure what level of crop insurance protection would be available in the event that we went to standing disaster legislation, but it might be more than we anticipate. I just had a letter, Mr. Marlenee, from a man who runs a major insurance company in this country. He said that if the Congress this year were to enact disaster legislation as a substitute for Federal crop insurance, his company for the first time would begin to offer multiperil insurance on a very broad scale. His company was unprepared to do so in the past because they had no intention of competing with subsidized programs coming from the Federal Government. If the Federal Government is out of the crop insurance business, he and his firm will enter it. They will provide multiperil crop insurance that would supplement the availability of disaster legislation. So that's a possible combination.

But putting that aside and getting back to your basic question, can we do a major redesign of crop insurance and make it work and make it actuarially sound, we certainly ought to be able to do better than we have until now because we just haven't done very well until now or we wouldn't be in this situation today. But when we can make it actuarially sound and get the level of participation that would be necessary to avoid ad hoc disaster programs, I do not have a high level of confidence that we can do it without a great deal of cost.

Mr. MARLENEE. We had that once, Mr. Secretary.

Secretary YEUTTER. Yes, but it seems to me we have to get up in the 80- or 90-percent range, and we're still down in the 40's.

The CHAIRMAN. I thank the gentleman.

Mr. Secretary, let me state for clarification that I'm way out there, having stated that after the Crop Insurance Commission and after the recommendation of the administration, I have made the statement—and I stand by it—that crop insurance as we now have it will not continue, period. The subcommittee members, Mr. English and Mr. Coleman, have accepted the challenge to try to come up with a viable mixture, combination, hybrid, whatever you call it, an actuarially sound program. They have accepted the challenge, and I have given them the encouragement to proceed along those lines.

There is a poll being taken—it was started by a radio station in Amarillo where you call a 900 number—that is showing that the percentage supporting crop insurance is in the middle-80's. But the question is, would you support or not support crop insurance? In the middle-80's they are saying yes. I have gone behind the question, but they are not talking about the way it now exists. They say there is a need, and they disagree with a phasing-out period. But they say they need whatever comes behind it.

I think we're on the right track. But I wanted to clarify my position, that I have made the statement—and I stand by it—that crop insurance as we now know it will not survive, but a new program which hopefully would be actuarially sound, and it has to be for all crops. It has to be the same too, you can't have someone doing 65 percent, someone 40 percent, like we do with the Disaster Program. The fruit and vegetable industry in my area receives little or no help from the Government, mostly harassment. They always come in unequal to the other areas in a disaster.

So I am hoping that the subcommittee—I repeat, they have accepted the challenge, and it will be a very difficult challenge—will come up with something that all of us can agree with and be proud of.

Mr. Hatcher.

Mr. HATCHER. Thank you, Mr. Chairman.

Mr. Secretary, I was impressed with your comments regarding food and nutrition programs, but somewhat less impressed with your proposals regarding peanuts. You seem to support the continuation of the supply management concept that is an integral part of the Peanut Program, but you proposed to significantly reduce the price support by maybe 20 percent.

Implicit in this, it seems to me, is an assumption by you that people who produce peanuts are making too much profit, and yet the district I represent produces more peanuts than anywhere in the country, and we are one of the lowest per capita income congressional districts there is.

I just wonder where you're coming from with that rather radical proposed reduction.

Secretary YEUTTER. I'd be glad to comment, Mr. Hatcher. I'm not surprised that that generated attention in your area.

It is really a question of balance between and among the various programs. I'd like to have those peanut producers make a lot of money, and I know you would, too. The question is; What level of support should be provided by the Government? That's really the rationale of the proposed change.

If one looks at what has happened to the various program crops since 1985, you will note that support levels, with the others coming primarily through target prices, have come down gradually over the last 5 years, whereas support levels on peanuts, which are handled in a different way, have actually gone up some.

Mr. HATCHER. Well, isn't it true that the Peanut Program, even on a pro rata or comparative basis as to level of production, costs less than the other commodity programs?

Secretary YEUTTER. Well, it is designed in a different way, of course, and that has been beneficial in reducing taxpayer costs. Of course, somebody does bear the cost, and in this case it's the consumer. Our legislative proposal expresses some concern for consumer costs.

Mr. HATCHER. Of course, the producers and the shellers and other interests say that your proposal reflects the manufacturers' position. That doesn't translate into the consumers' position, but I guess we could debate that.

Secretary YEUTTER. We would be glad to.

Mr. HATCHER. I would like to express one concern about crop insurance, and this has been touched on. Some folks down in my area would not be able to get operating loans without the crop insurance coverage that they have now. That's a real concern for me that I hope that you and the committee will address.

Secretary YEUTTER. Thank you.

The CHAIRMAN. The gentleman has concluded. I thank the gentleman. Some of the members down the line will also thank you in a few minutes.

Mr. Olin.

Mr. OLIN. Thank you, Mr. Chairman.

Mr. Secretary, I would like to join the others who have congratulated you on the Green Book. I congratulate you also for coming forth with a farm bill recommendation, or 70 recommendations. I'm sure we won't agree with you on all of them, but that's a good, clear statement. It's a very high quality piece of work.

Secretary YEUTTER. Thank you.

Mr. OLIN. I wanted to ask you a little bit more about this flexibility question. I think it's obvious to all of us that we have to be very careful in structuring flexibility to be sure that we haven't run into some kind of a trap that gets a result we didn't anticipate.

I'm really not an expert in this area and I might just be misinformed. Could you review with me the situation that exists—when you're not talking about a cover crop and you're not talking about double cropping, but where a program crop is planted in place of a program crop that has a base, in what cases is the farmer able to sell the crop he raises and take advantage of the Farm Program, and also get the benefit of the crop he doesn't plant? How does that work?

Secretary YEUTTER. The simple answer would be that if, for example, this farmer has a feed grains base and a wheat base, which is true of a lot of farmers, we would now, under our flexibility proposal, put soybeans or oil seeds—it could be canola or something other than soybeans—in kind of that same box, so you would have feed grains, wheat, and soybeans. He would have an existing base for wheat, an existing base for feed grains, and we would now make an historical calculation of past soybean production and do another quasi-base on soybeans.

Let's say that added up to 300 acres: 100 for corn, 100 for wheat, and 100 for soybeans, to make it simple. What this means is that in the future that farmer could plant any of those three or any combination thereof that he wishes. If he wanted to plant all his land, all 300 acres, to wheat even though he only has a 100-acre wheat base, he could. If he wanted to plant the whole 300 acres to corn even though he only has a 100-acre corn base, he could. If he wanted to plant the whole 300 acres to soybeans, he could, or any combination thereof——

Mr. OLIN. Does he collect only one Government payment for each crop that he raises?

Secretary YEUTTER. He would be entitled to his deficiency payments as he is today.

Mr. OLIN. If he planted all wheat, he would get the wheat deficiency payment?

Secretary YEUTTER. He could get the wheat deficiency payment on the wheat base and the feed grains deficiency payment on the feed grain base.

Mr. OLIN. And if he plants wheat on corn base, will he also get the corn deficiency payment?

Secretary YEUTTER. Yes.

Mr. OLIN. Why is it necessary to have that double incentive?

Secretary YEUTTER. Well, it's just that we want to be able to give that farmer the same amount of target price protection or income support that he had previously. So what we're saying is, we'll give you that same income support on wheat——

Mr. OLIN. He had 300 acres previously, and now he's going to have 300 plus some number?

Secretary YEUTTER. Yes. The producer may plant on ACR, but, for each additional acre planted on ACR, he would forego an acre for program payment.

Mr. OLIN. If he swaps his crops around—in fact, if he swaps them off, you could play games with that very readily.

Secretary YEUTTER. No, I don't think so.

Mr. OLIN. You don't think so?

Secretary YEUTTER. No, because he won't get target-price protection on the soybeans, of course, because soybeans don't have target-price protection. He will get the same as he did before on his wheat and feed grains. He'll just simply be able to have that additional flexibility.

By the way, he cannot bring in nonprogram crops. In other words, he can't bring in potatoes on that land without losing deficiency payments. But as long as he sticks with wheat, feed grains, and soybeans, he can grow it any way he wishes.

Mr. OLIN. I think we're going to want to be sure that we've looked at that very closely to be sure that we're not getting some unanticipated incentives in the picture that would give us some results that are far different than we're really trying to get.

Secretary YEUTTER. I don't think they're there. There are some illustrations, by the way, in the Green Book.

Mr. VOLKMER. Would the gentleman yield?

Mr. OLIN. Yes.

Mr. VOLKMER. You do not guarantee deficiency payments like you do on the 0/92, though?

Secretary YEUTTER. No, that's correct. Deficiency payments would still be calculated on market prices.

Mr. VOLKMER. I know, but what about a guaranteed deficiency payment?

Secretary YEUTTER. Well, the guarantee—the amount isn't guaranteed because they have to be calculated just as they do today.

Mr. OLIN. Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Stangeland.

Secretary YEUTTER. In other words, Mr. Volkmer, it would be operated just as it is today.

Mr. STANGELAND. Thank you, Mr. Chairman.

Just to be brief, I will share in the accolades of my colleagues, Mr. Secretary. You and your staff have been extremely helpful to work with.

To be as brief as possible, I share the concerns of Congressman Huckaby on your NCA. I think I have been at five subcommittee hearings and nine separate hearings in my own district, and have asked the direct question, and what your NCA proposal sounds to me like is decoupling. I have found virtually no support for that volume of flexibility, but they do want some flexibility and I think we can work on that.

I am pleased with what I see in your recommendation for Farmers Home. I think that in writing this farm bill we ought to really emphasize and make our best effort to write a provision in there for young, beginning farmers, that Farmers Home has to have a change in focus from what it has been in the past, and I think we can work on that.

Crop insurance—my growers, to a man, want crop insurance, but they want a good, viable program. I don't think it's impossible. I think the Disaster Program, written into the law, in the long run is going to be far more expensive in assisting farmers than buying crop insurance, but that is something that we can work out.

Just very quickly, a couple of concerns. Several of us have signed a letter to you requesting a public hearing on the review of milk marketing orders. Are you going to be at all inhibited or hampered in that endeavor by the litigation going on from Minnesota Milk Producers Association in their suit against USDA on milk marketing orders? Is that going to be a problem?

Secretary YEUTTER. No, that would not inhibit me in any way, Mr. Stangeland. In fact, I have been evaluating that situation, along with our folks in the Agricultural Marketing Service and Assistant Secretary Jo Ann Smith and others over a period of several months. We started this process long before that suit was filed. We have had some discussion with industry leaders, as well. I intend to make a decision very soon on just what, if anything, we will do through the administrative process. You will hear something on that promptly, because obviously that affects your legislative process here. In other words, we are going to do some things administratively that may affect whether or not you take on those issues legislatively, and that's why I want to get you a decision quickly.

Mr. STANGELAND. And then a couple of issues that have been extremely egregious up in my area. First of all, the method for determining the repayment of advanced deficiency by barley growers, I want to work with you on that because I think the current program is patently unfair in the area of barley because you have the differential of malting and feed.

The one other thing that we see as a real disaster is the potential scourge of grasshoppers up in our area. I have written you a letter on that. I think we have to get out in front of the curve. If we don't have rain, those grasshoppers will die of starvation, and if we do have a little rain, those grasshoppers could eat whatever the farmer plants. It's very serious.

There are a number of other things that I would like to talk to you about, but you and your staff are very accessible and we can discuss this some other time and not take the time of the committee.

Thank you very much.

Secretary YEUTTER. Thank you.

The CHAIRMAN. I thank the gentleman.

I might inform the members that if you have any questions that have not been addressed, you might hand them to the chief counsel and then we will en bloc forward them to the Secretary.

Also, with the indulgence of the members, if we come down to 2 minutes per member, I think we can get to every member who is present here now and allow the Secretary, within the timeframe he has, to leave. I apologize to the members that we took more time with some of the other members, but I see now that time is escaping us and I do want every member to have at least one question.

Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman.

Good to see you again. I am curious to know why we would need to continue an acreage set-aside policy if we move to some form of base flexibility.

Secretary YEUTTER. Well, simply because we may find ourselves at stocks-to-use ratios that would call for taking some land out of production. We obviously want to maintain our international competitiveness. When we take land out of production, that increases our cost per acre, which is disadvantageous, as you know, and provides a benefit to our competitors internationally who may plant more when we plant less.

But nevertheless there may be times, and it may be specified legislatively here in terms of stocks-to-use ratios, where we need to pull some land out of production.

Mr. PENNY. The reason I asked is, if farmers were to follow market signals, it would seem to me that on a year-to-year basis we would have less of a need to require farmers to set any acreage aside. The flexibility itself should become, in a sense, a supply management system.

Secretary YEUTTER. That is correct, and I certainly agree with your philosophical point there, that we ought to move away from inordinate usage of set-asides.

Mr. PENNY. This set-aside system would largely affect those folks who wouldn't take advantage of the flexibility option. If you're giving somebody a kind of free base that they could plant other commodities on, it would only be those farmers who kind of adhere to their traditional base who would be impacted by this set aside policy.

Secretary YEUTTER. Well, as you know, in the Green Book we have tried to work in flexibility both for the base itself and for the acreage set-aside. So we have tried to give farmers additional flexibility in both places.

Mr. PENNY. What about multiyear set-asides so that we could use those acres in a conserving way?

Secretary YEUTTER. Yes. That's included in the Green Book, as you know——

Mr. PENNY. I thought I saw some note of that there.

Secretary YEUTTER. Yes. We would hope that would have appeal to the committee.

Mr. PENNY. My last question is on foreign food aid. I am interested in some modifications of our policy there so that we can use more of that in a targeted manner for the nations that have tremendous economic problems. Monetizing that is a way of putting it into development aid. There is some criticism of the current program, that it is politicized to too great a degree and isn't going to the countries that need help the most. Can we look forward to your help in revising that program?

Secretary YEUTTER. Yes.

Mr. Chairman, I should have mentioned that one earlier and I simply forgot to do so. One reason we have not put recommendations on that program in the Green Book is because that is still being worked on in the interagency process. Secretary Crowder is very much involved in that with some of his colleagues around the Government, and we hope to have some specific recommendations to you very soon.

Mr. PENNY. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Jontz.

Mr. JONTZ. Thank you, Mr. Chairman.

Good morning, Mr. Secretary.

Producers are in a period of declining target prices and increasing input costs. Regardless of where we decide to set target prices in this farm bill, how would you feel about looking at some sort of indexing of target prices to reflect the ups and downs of cost of production that farmers face?

Secretary YEUTTER. I would not be enthusiastic about that, Mr. Jontz, because if we indexed them they would obviously index upward over time. That would certainly be appealing to farmers, but it would put greater stress on the rest of our program as we try to meet budget targets. It seems to me that could work out to be disadvantageous rather than advantageous.

Now, that's a complex question and we don't have time for me to give you a complex answer, but even though that superficially has some appeal for helping farmers, it might actually turn out to be counterproductive. So I would have some hesitance about that.

What we need to do and what I am trying to focus on here is suggest to you all, as we work through this very difficult budget issue along with the policy issues, is that we have to find out the ways to get the most bang for the buck for farmers in this whole process. That is going to be a very intricate and difficult challenge. That's one of the reasons I didn't want to talk about specific target prices. The kind of combinations of actions we can take can really vary tremendously.

Mr. JONTZ. So your basic concern is one of cost?

Secretary YEUTTER. Well, it's one of meeting budget targets, which you will need to do and we will need to do, and meeting them in the most propitious way.

Mr. JONTZ. Well, I guess I've heard you raise the issue of costs on so many questions this morning—graduated equity loans, proven yields, crop insurance, Farmers Home Administration—you go on down the list. It seems to me that cost is the bottom line.

What recommendation did you make to OMB this year in terms of the size of commodity programs?

Secretary YEUTTER. Well, first let me say, I wish we had an open spigot. I would be delighted if we did, but we don't. The spigot isn't open at OMB and it isn't open at the Budget Committee here, either.

Mr. JONTZ. Well, I appreciate that. But I've heard a lot from my constituents in the last few days, along the lines of what Mr. Madigan talked about, and I appreciate the fact that you don't make these decisions by yourself. But you go down the list of the B-2 and Star Wars and foreign aid increases and everything that is being proposed, and it seems to me that we ought to be able to do better with regard to the decisions that are made at the White House and at OMB.

I know you are a very skillful negotiator and I appreciate that experience you have. I wish I saw more results as far as your negotiations with OMB are concerned.

Secretary YEUTTER. Let me say, it was a hard sell, Mr. Jontz. We had some long, difficult debates on this subject. When people are making changes in the Medicare Program, it is a little hard to sell increases in farm subsidies.

The fact is, we're going to have $2 billion more for income supports than we're going to spend this year. If we had gone up to base line, that would be $3.5 billion more than we're spending this year. It's a little hard to sell to OMB, or to the President, for that matter, that kind of an increase over existing expenditure levels when they're trying to find ways to take the Federal budget deficit from $110 billion down to $64 billion. So it is a tough go.

Our total USDA budget is up a little bit for fiscal year 1991, as you know, and income supports compared to actual expenditures are up. So it was a hard sell. I think we got all we reasonably could have expected. I wish we could have gotten more. I recommended more.

The CHAIRMAN. I thank the gentleman.

Mr. Smith.

Mr. SMITH. Thank you, Mr. Chairman.

Mr. Secretary, you have received all the accolades due you in February already. If you have none in March, I will be there to help out.

Secretary YEUTTER. Thank you. We may need them.

Mr. SMITH. I want to say that Mr. Campbell did an excellent job preceding you, identifying the Green Book under a more hostile group. But this is a kinder and gentler day.

An area in which you have been most concerned, as have many of us, is export. There is no question that the 1985 farm bill provided incentives for export and brought our commodities in line with world prices. That is one reason that we have increased prices today for agricultural products.

In that light, I had a notion that because of reduced stocks last year, there was a reluctance on the part of the Department to aggressively seek out exports for fear of loss of supply. I'm going to ask you, with the increase in the Export Enhancement Program, which I see as a plus, are you going to aggressively again seek export markets, recognizing that we do have market supplies?

Secretary YEUTTER. We were cautious last year, Mr. Smith, as you can tell. We felt that was the prudent way to handle the situation, both because we had had a very severe drought in 1988 and because we had burgeoning drought conditions in substantial areas of the country even in 1989. You are aware of our situation out in the western Great Plains on wheat. For a long time it looked as if our feed grains crop might be in some jeopardy last year also, although timely rains finally came and we had a reasonably good crop. So it was a very sensitive situation in terms of supply availability.

Also, we felt there was no reason to use EEP subsidies if we didn't need them. We were able to move quite a lot of grain without any subsidies at all, so there's no point in using the EEP program if you don't have to.

This year has been a different year. Our trading partners are not enthusiastic about the fact that we have begun to use the EEP more aggressively again, but our judgment is that we should protect our own interests internationally, and we intend to do so.

Mr. SMITH. Thank you.

The CHAIRMAN. I thank the gentleman.

The Chair would still like to accommodate all members, and we ask your indulgence. Perhaps if we go to one member at a time, allow him a short statement and/or one question, and then let the Secretary try to address them all at the end, or if not, forward answers to them. If the members would cooperate in that respect, I think we can cover all the members remaining.

Mr. Sarpalius.

Mr. SARPALIUS. Thank you, Mr. Chairman.

I have two quick questions.

One of them, the poll that was done on farmers and how they felt about crop insurance, was done from a radio station, KGNC, in my district. They had about 15,000 farmers who responded, and out of that total, 85 percent of them said that they did want some type of Crop Insurance Program.

I wish that the administration had recommended that we have a Crop Insurance Program, to see it improved and to make some recommendations as to how we could improve it.

One proposal that is being looked at is to get away from county yields. Basically, a producer would buy $50 an acre coverage or $100 an acre coverage, and mandate a 50 percent participation in the program. I'm curious as to how you feel about that.

The second question, according to statistics published by USDA, in 1989 the net farm income was about $48 billion. In calculating that, do you include in that the capital expenses that the producers have? I think the general public, when they see that, think that farmers are making $48 billion a year that is going into their pockets. I am curious, do you include capital expenses? And if you don't, why?

The CHAIRMAN. I thank the gentleman.

Mr. Dyson.

Mr. DYSON. Thank you, Mr. Chairman.

Mr. Secretary, as you know, in the last week or so we had the Supreme Soviet visiting the United States, and I had the opportunity to have lunch with some of them. Although members of the Armed Services Committee were obviously asking them a lot of questions about weapons and defense, I asked if glasnost had reached the farm economy of the Soviet Union. The individual I had lunch with said, "No, not yet." So we got to talking about wheat yields and feed grains and other things, a good portion of which we have provided to the Soviet Union in the last couple of years.

One of the things that came up was the issue of wheat yields and the fact that they really have a sufficient supply, is what they told me, but they lose about 30 percent of it each year in transportation. In our debate over this, this individual indicated to me that they thought in about 3 to 5 years that problem would be corrected, but that in the future—probably in various corn and other feed grains—there was still going to be a great need to buy from us.

You have been in this business a lot longer than I have. In fact, you were our trade negotiator before becoming Secretary of Agriculture. Is your Department aware of that market for us? It looks to me like that market is going to change with this new attitude in the Soviet Union.

The CHAIRMAN. I thank the gentleman.

We will hold, Mr. Secretary, with your permission.

Secretary YEUTTER. Sure.

The CHAIRMAN. Mr. Condit.

Mr. CONDIT. Mr. Secretary, I just have two quick questions.

The first one is, would you be willing to continue the Cotton Loan Program at 18 months?

The second question I have may be a little more difficult to answer, but simply, I want to express to you that we in California are extremely concerned about food safety and whether or not we can have a national policy that conforms with all the States, and possibly look at some of the international problems we have with food safety. I know that's not a part of your proposal in the farm bill, but it is a great concern for us and I would appreciate some consideration and comment about that.

The CHAIRMAN. I thank the gentleman.

Mr. Grandy.

Mr. GRANDY. Thank you, Mr. Chairman.

Mr. Secretary, contrary to what you might be thinking, I am not going to speak to you or lecture you about ground water today. You have a 50-page document on your desk right now.

I do want to alert you to another problem in Iowa that I want the Department to look at very seriously, because if they don't, Congress will have to. That is with the interpretation of the present swampbuster legislation in the 1985 farm bill. This affects my district disproportionately, but Mr. Emerson of Missouri, North Dakota, parts of South Dakota, perhaps even parts of Mr. Stangeland's district, are affected by this.

Basically, you have an interpretation that is so inflexible that county drainage districts cannot replace tile that in some cases is 80 years old, because that constitutes improving the drainage district.

Now, here is the interesting environmental conundrum of this entire proposition. These districts get so dirty with silt that they obtain, and over time develop, an aquatic habitat which is obviously protected by the Fish and Wildlife Service, but which is running contrary to the water quality of those entire counties. So you have water quality and environmental concern versus aquatic habitat, which is also an environmental concern.

The loser is the producer who, if he has to continue with swampbuster provisions that are this inflexible, will jump out of the program, tear up the wetland, farm it, and defeat the entire purpose of the conservation compliance title. I tell you this now because if nothing is done, we are going to have to move legislatively in the farm bill, and that is not contained in the Green Book.

So in the short time I have, I hope administratively there will be an approach to this that will allow some flexibility on the environmental side of the farm titles.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

We'll go to Mr. Morrison, Mr. Grant, and Mr. Walsh.

Mr. GRANT. Mr. Chairman, I'll be quite brief.

Mr. Secretary, two quick observations and a question.

One, given the fact that the Peanut Program is for all practical purposes a no net cost program to our Government, and two, given the fact that Canada buys our additional production at just a little more than half the price of our quota peanuts—yet a jar of peanut butter on the shelf in Canada costs about $1 more than it does here in the United States—would you be willing to take the very aggressive leadership and, in my judgment, the right position, of amending your Green Book proposal so that in effect you don't suggest any radical changes from the 1985 act, and that is, don't disturb the Peanut Program?

Thank you.

The CHAIRMAN. I thank the gentleman.

Mr. Morrison.

Mr. MORRISON. Thank you, Mr. Chairman.

Mr. Secretary, I am just delighted with the $100 million add-on in the research area.

I wanted to ask you this. If you can rub the crystal ball a little bit, one of the problems in research is the lack of consistency. That is, if you start new programs, hire the researchers, and so forth, there is a desperate need to follow through, although I am hoping that that could lead to a consistent future for agricultural research.

I want to emphasize something that I think a number of us on this committee feel strongly about. The chairman just mentioned the vegetable crops in his area. I know Mr. Lewis and others are from areas that have vastly diversified agriculture, as I represent. There is a tremendous concern about the loss of pesticides. I wanted to know whether this new research initiative was aimed at helping with the development of new materials and the registration of the old, so that we can keep those diversified farmers in business.

Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Walsh and Mr. Lewis will be our last two members.

Mr. WALSH. Thank you, Mr. Chairman.

Thank you, Mr. Secretary, for your testimony this morning. This has obviously been very wide-ranging and it has been very informative to me. Most of the time I have spent has been in subcommittee. I was involved with several Dairy Subcommittee hearings, so my questions will relate to the Dairy Program. I will give you the opportunity to respond back. There are three.

One, with prices for dairy as high as they are today, and in a market economy, it would seem to me that supply is meeting demand and that therefore there is, indeed, no surplus. I would like to hear your response to that.

The second is, we have a configuration now that calls for a trigger of 5 billion pounds, as configured by the butterfat equivalent. What would changing that measurement from butterfat to solids do to the estimated surplus, if indeed there is one?

The last question is, how low do you believe the support price can continue to go before it begins to have a negative impact on the market price of dairy?

The CHAIRMAN. I thank the gentleman.

Mr. Lewis.

Mr. LEWIS. Thank you, Mr. Chairman.

Mr. Secretary, I want to thank you again for your recent visit to south Florida following our recent freeze. It's a great example of your commitment to the American farmer. We want you to know it was appreciated.

Secretary YEUTTER. Thank you.

Mr. LEWIS. I'm not going to discuss with you the Sugar Program. I know you will allow it to remain consistent in the 1990 farm bill as it was in the 1985 farm bill, but I want to echo my colleague's concerns from the State of Washington, Mr. Morrison. I believe that more money has to get into the land-grant universities for research, particularly in the area of pesticides. In Florida we use more pesticides, as you are aware, than most anywhere else in the country because of the tropical climate. The pressure that has been placed on the agricultural industry in recent years certainly warrants more research and development. I believe this should be stressed in American agriculture. The American producer certainly wants to provide safe, good, healthy food to the consumer.

Thank you, Mr. Chairman.

The CHAIRMAN. I thank the gentleman.

Mr. Secretary, we have gone over just briefly. If you would care to take 1 minute or 2——

Secretary YEUTTER. If you have the time, I will just take 3 or 4 minutes and give a quick response to each of them.

The CHAIRMAN. A quick response would be helpful.

Secretary YEUTTER. The first one was on crop insurance. All I would say on that, Mr. Chairman, is that we are willing to listen and evaluate anybody's options on crop insurance. We have an open mind on that subject. We haven't seen a solution yet, but if someone surfaces with some feasible and rational recommendations in that area, we would be delighted.

On the Soviet wheat situation, Mr. Dyson, that market will change significantly over time. We're well aware of that. We're watching it carefully. I have been invited to come to the Soviet Union later this year and I intend to make that trip. It is too early to assess how that market will change and to what degree we might benefit from it, but certainly if Mr. Gorbachev succeeds in his economic reforms, that is likely to generate some economic growth in that country for a change. They haven't had much for a long time. Economic growth usually means greater food consumption, and even though they might produce more as they begin to get their act together, I suspect they'll end up being larger importers rather than smaller imports. So I think that improvements in that economy are likely to work to our benefit.

On cotton loans, I would emphasize that all we've asked for there is discretion as to how to handle the loan programs. I don't have any immediate desire to exercise that discretion in a way that would cause them to be cut off. I would just like to have the additional discretion in the operation of that program because I think there might be times when it would be desirable to shorten the loan maturity.

On food safety, we have a Presidential initiative as you well know. It is a very important issue. One of the elements of the Presidential proposal relates to what we would call Federal preemption, that is, avoiding the kind of situation you were positing in California where we have State food safety rules that are different from those of the Federal Government—allegedly higher—but those are inevitably just going to cause difficulties.

Again, that has international ramifications. We're trying to get the rest of the world to harmonize food safety rules with us. We can't ~~even h~~armonize in the United States. If California or somebody goes off on a different tangent from the rest of the country, we're never going to get international rules on this subject.

Mr. Grandy mentioned our problems on swampbuster. Some of those are related to the Corps of Engineers 404 Program, as I understand it, so they may or may not be swampbuster problems. But whatever, there's no doubt that that pendulum has swung too far in some of these areas and it needs to swing back to something rational. If we can do something at USDA, and I'm not sure we can in the particular situation that you're taking about, we will. We'll sure look at it. If it needs someone else to take a look at it, we'll try to see if we can help you ~~to get~~ somebody else to take a look at it, too, the Corps of Engineers or EPA or whomever.

With respect to peanuts, Mr. Grant, I'm not prepared to suggest that we abandon the "Green Book" proposals this morning, but we are certainly prepared to discuss peanut issues with you at any time and try to work out mutually acceptable results in the legislative process.

With respect to research, Congressman Morrison, we do have commitments from our colleagues at OMB to continue to boost that funding in the future. We believe that that's going to prove to be possible, so we think we're going to get a very fine research thrust, and appropriately so. How much of that will go into pesticides and the kinds of issues that you and Congressman Lewis have a great interest in remains to be seen. Those additional funds will be placed on a competitive grants basis, so let's hope that some folks submit competitive grant proposals that are impressive and persuasive. If they do, they'll have a chance to get them funded. We don't want to earmark if we can avoid that, because once we start earmarking for a particular program like pesticides or whatever it may be, then everybody else is going to want to earmark something, and we'll lose all the flexibility in the administration of the program and we'll have a big mess on our hands. So I'd rather not do it through earmarking. I would rather do it just through good, solid proposals being submitted.

On dairy, Mr. Walsh, obviously there is not much in the way of surpluses today. That is one of the reasons that people in the food programs are complaining that they don't have surplus product available to them. The 1985 farm bill has really helped turn around the dairy situation and bring it under much better control in terms of cost and the availability of surpluses. Let's hope we can keep that going in the future. That's one reason we did not recommend any significant changes in dairy legislation at all. We added some additional flexibility, some of which could actually be used to increase support levels rather than reducing them, depending on the levels. Primarily, we were seeking additional flexibility in dealing with that question.

On changing butterfat to solids, that issue comes up with regularity. We'll be glad to continue to keep it under discussion. We have not yet been persuaded that it is likely that a switchover from butterfat to solids is likely to change the operation of the program very much, perhaps not enough to make it worthwhile doing, but we are open-minded for additional arguments to be made by you or anyone else on that subject in the future if you would like to do so.

With respect to how low support prices can go or should go without having an adverse effect on production levels in dairy, my judgment is that the farmers respond much more to market signals than they do to support levels. When market prices are up at $15 as they have been recently, that's a lot more of a persuasive signal to expand production than raising the support level from $10 to $10.50, or $10.50 to $11. So support levels on this and other programs are there for safety net purposes. They are not really there to stimulate production responses, unless, obviously, we have production of such a magnitude that prices are down at those support levels. As long as market prices are up higher, it will be the market signals that are the primary determinants, and therefore I don't really see the support levels as being a major problem in this regard as long as they are at a market safety net level relative to the market.

Mr. Chairman, that's about it.

The CHAIRMAN. Thank you very much, Mr. Secretary.

The subcommittees and the committee and our counsel and staff look forward to working with you and your representatives as we move forward on this very challenging legislation, but hopefully, as I said in the beginning, the end result hopefully will be something worthy of being remembered.

We thank you very much for your cooperation.

Secretary YEUTTER. Thanks, Mr. Chairman, for your courtesy.

The CHAIRMAN. The committee will adjourn, subject to the call of the Chair.

[Whereupon, at 11:55 a.m., the committee was adjourned, to reconvene at the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF
CLAYTON YEUTTER
SECRETARY OF AGRICULTURE
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
FEBRUARY 20, 1990

Mr. Chairman and Members of the Committee, I welcome the invitation to appear today to discuss the 1990 Farm Bill. The making of farm policy in 1990 will be truly historic. The road that we take over the coming months will be vital to U.S. farmers, the American public, and, in fact, the world.

As you know, we have been working very hard at the USDA and within the Administration for many months to develop proposals that we believe will best serve our nation's food and fiber industries and all Americans. We unveiled our ideas on February 6. This morning, I would like to bring into focus the more than 50 initiatives we are proposing as modifications of programs authorized by the 1985 farm legislation.

From the start, one goal has been to develop a set of proposals which recognize that U.S. agriculture operates in a world marketplace. Our policy must be one that commits U.S. agriculture to compete, because without greater access to foreign markets U.S. agriculture will stagnate. We have sought also to be sensitive to environmental concerns.

We believe that the 1990 farm bill should be based on the Food Security Act of 1985. We propose continuing the market oriented transition of that legislation. That calls for provisions which ensure that farmers respond to market signals, not government programs. Our proposals on price support programs, stocks policies, planting flexibility, and credit are all designed to strengthen the link between market conditions and farmers' decisions.

Providing farmers more planting flexibility must be a key element of the 1990 farm bill. We will submit to you a comprehensive flexibility proposal which should enhance farm income while simultaneously fostering environmentally sound production practices.

Perhaps no set of agricultural issues will receive more scrutiny during the 1990s than the relationship between agricultural production and conservation and environmental concerns. We are, therefore, proposing a broad-based environmental initiative that includes research; education; land management and acreage retirement programs directed at water quality, wetlands, wildlife, trees, and erosion; a multi-year set-aside; and the more flexible production alternatives I have already mentioned. We have crafted these proposals to target specific areas and problems so that environmental benefits are maximized without undermining the competitiveness and productive capacity of U.S. agriculture.

USDA has been known as the "People's Department" for 127 years, and as we begin the last decade of this century, we find that spending on food and nutrition programs accounts for half of our budget. We propose full funding for USDA's domestic food assistance programs for the needy. In addition, we will strengthen and improve food program administration. We also propose a number of changes in our marketing and inspection service programs to improve their effectiveness in assuring the safety of the nation's food supply.

Virtually all indicators of farm sector well-being have improved since 1985. Farm income is up, farm failures are down, farmland values are recovering, and debt-to-asset ratios have improved. Commodity surpluses have all but disappeared, some idle land has returned to production, and farm program spending is down.

We have a unique challenge in 1990. U.S. farm policy will be written while our government concurrently engages in the most significant multilateral trade discussions ever. However, it would be incorrect to state that farm legislation will be unaffected by the General Agreement on Tariffs and Trade (GATT) negotiations or that the GATT will not be affected by actions taken in Washington. Clearly there is a relationship between these two important initiatives. As the world's major agricultural exporter, changes in agricultural trading rules will obviously affect the United States--and we intend to do everything in our power to make sure these changes are for the better. They can only get better.

The dominant issue in both the multilateral trade negotiations and the 1990 farm bill is the same--a stronger agricultural economy for America. Our farm bill proposals, which combine increased production responsiveness, aggressive export assistance targeted at unfair competition, market-oriented price support loan and storage programs, and greater research funding should signal to our competitors the resolve we have to compete in world markets.

President Bush recently presented his FY 1991 budget to the Congress. There is a small increase in the overall USDA budget, and new initiatives for research, water quality, and food safety. Nevertheless, there are real limits on the amount of available Federal resources. As you know, the Gramm-Rudman-Hollings law calls for a reduction in the federal deficit to zero in FY 1993.

For FY 1991, which will largely be unaffected by the new farm bill, the budget specifies a baseline spending cut of $1.5 billion in farm price and income supports. However, even with this reduction, outlays for price and income supports are expected to be $2 billion more than in FY 90. Our goals for fiscal policy mean that greater savings must be achieved in the farm programs throughout the nineties.

We have not proposed specific changes for achieving budget savings but Chapter V of the President's budget summarizes some of the approaches we have in mind. Target prices and/or payment bases could be reduced; or payment limits could be tightened. All of these can affect deficiency payments. We prefer to work with the Congress in determining the most propitious way to achieve the necessary budget objectives within a sound policy framework.

Mr. Chairman, I would now like to discuss some of the proposals in more detail.

Price and Income Supports

Our top priority in the price/income support area is to reduce the rigidity of present programs. We have learned how costly it can be to design programs based upon assumptions and expectations which do not materialize. We believe our new proposal is adaptable enough to deal with any eventuality, whether surplus or shortage.

Our production flexibility proposal uses the concept of normal crop acreage (NCA). We propose to make deficiency payments based on historic cropping patterns, regardless of which NCA crop is grown in the future. This means that producers will make planting decisions among NCA crops based on market prices, not target prices. Production will then be more responsive to market conditions, i.e., we will have greater production of crops in scarce supply and lower production of crops in surplus. This should also foster a greater use of crop rotations with their attendant environmental benefits. The cost to the nation's economy of vast idled acreage would be reduced, because we would permit planting on idle acres under certain specified conditions.

All of us have puzzled over how to deal with stockholding policies. We believe that our proposals will provide significant improvements in this difficult area. The basic thrust of our approach is that decisions by farmers on when to store and when to sell should be determined more by market forces and less by government decree. We propose to accomplish this by shortening the farmer-owned reserve (FOR) contract period to 9-12 months; eliminating price or quantity triggers for entry or release; eliminating the required FOR minimum quantity levels; and establishing a standardized minimum CCC resale price for commodities acquired through price support activities. The effect of these changes will be to accommodate the storage of a considerable quantity of grain from one year to the next, but defer to the farmer decisions on when to store and when to sell. In addition, these changes will eliminate a complex array of adjustment formulas, rules, and regulations.

We are proposing that the formula for adjusting loan rates for feed grains and wheat be used also for cotton and rice. There is no sound reason to continue the inequities represented by the rice and cotton loan rate minimums. These changes will allow cotton and rice loan rates and market prices to be more reflective of actual market conditions.

We propose no changes in the soybean price support program. But soybean growers should benefit from our flexibility proposal under which soybeans will for the first time compete with other crops for acreage on the basis of relative market returns.

Milk price support adjustments in the dairy program have played a positive role in reducing the surpluses and high program costs that saddled the dairy industry just a couple of years ago. We offer modest revisions that will allow us more flexibility to respond to changes in supply and demand conditions, as indicated by the expected volume of dairy products acquired by the Government.

We propose changing the peanut program so that the support level is no longer a function of the cost of production. Peanut supports should be more consistent with other programs and more closely aligned with market prices. We also propose bringing the wool and mohair and honey programs into conformity with our program crops by shifting income support to the target price concept.

International Programs

Our proposals for export programs build on the progress that has occurred since the passage of the 1985 Act. We are proposing to extend the programs which have been instrumental in that task, and we are recommending legislative changes to strengthen other programs. After completion of the Uruguay Round all programs will be reassessed.

We propose continuation of the Export Enhancement Program (EEP) without mandated program levels or programming requirements. The EEP has proven an important part of our trade policy strategy to achieve a successful Uruguay Round. We want our competitors, especially the European Community, to know that we stand ready to use this program to the maximum extent. We want them to phase out their export subsidy practices which have severely distorted world markets for many years. Those subsidies have cost American farmers billions of dollars in exports and in income.

We also propose to continue the Targeted Export Assistance program and the Food Security Wheat Reserve. The 1985 Act established a minimum annual program level of $5 billion for GSM-102 short-term credit guarantees and a maximum program level of $1 billion annually for GSM-103 intermediate-term credit guarantees for FY 1989 and 1990. We propose that these program levels be continued.

We are committed to helping to feed needy people in low-income developing countries. Many of our foreign food aid programs, including P.L. 480 and the Food for Progress Program, need to be reauthorized this year. The Department is working with the Interagency Food Aid Subcommittee to develop legislative recommendations for these programs. We are particularly interested in revisions which will improve program operations and administration. Those will be forthcoming soon.

Conservation and Environment

Our conservation proposals extend and enhance the authorities in the 1985 Act and the activities we have undertaken with other Federal agencies. We will focus on measures that maintain the long-term productivity of our agricultural resources and measures that will stimulate the adoption of environmentally sound production systems. This can be done in most instances without imposing new regulations that could impair the profitability of our farmers. American farmers share with the rest of the Nation a longstanding concern for the quality of our environment and the conservation of our land and water resources.

Through research and technical assistance, greater production flexibility, and targeting of key problem areas, American farmers will become even better stewards of nature.

The authorization period for enrolling land in the Conservation Reserve Program (CRP) should be extended through 1995 and the focus of this program should be directed particularly at problems related to water quality and wetlands. An authorization level of 40 million acres is, in our judgment, adequate to address these problems.

Most water quality issues can be resolved through voluntary adoption of known production practices that reduce environmental risks. Research, technical and financial assistance programs now underway in USDA and in many states will encourage adoption of those practices. We are proposing an expanded effort in these areas. In particular, more effort will be required to address cropping activities in the vicinity of public water supplies, cropland in areas where dangerous runoff is conveyed directly into groundwater, areas that provide protection of wildlife habitat, and areas identified for conversion from intensive cropping under state water quality planning.

To respond to the loss of wetlands, we propose including wetland restoration as part of the CRP. Up to 2.5 million acres of cropped wetlands could be restored and protected under this program through the use of easements.

We have also recommended several changes in annual commodity programs that should reduce the use of agricultural chemicals. Our flexibility proposal will enable producers to plant a mix of program crops on permitted acres without losing base history or deficiency payments. We also propose to protect base history when conservation crops such as forage legumes and grasses are planted but not harvested. Intensive cropping patterns should thereby be reduced, with a substantial gain in environmental benefits.

We also wish to foster improved maintenance of land idled under annual crop programs. Accordingly, we propose strengthened rules for planting cover crops, and we propose to cost share for the establishment of perennial vegetative cover on a portion of land idled under acreage reduction programs. This will reduce erosion and weed problems and improve water quality and wildlife habitat.

Increased tree planting is another objective of our CRP proposals. We propose that shelterbelts and windbreaks be established under less restrictive CRP rules. This will complement the Presidential initiative, "America the Beautiful," which will result in planting and maintaining 1 billion trees per year in urban and rural areas. This program will enhance stewardship of our Nation's natural resources, improve wildlife and fish habitats, and have atmospheric benefits such as offsetting increased emissions of carbon dioxide.

Farm Credit

The time has come to reform our farm credit programs by emphasizing that they should be consistent with a commercial, market-oriented industry. In other words, they should fill a carefully defined credit niche; they should not be disguised welfare programs. Our Farmers Home Administration should provide targeted assistance to beginning farmers with demonstrated management capabilities. Greater emphasis should be placed on improved loan application and reporting procedures, and on financial disciplines that are required of commercial borrowers.

Farmers Home Administration (FmHA) credit programs will continue the shift toward the use of loan guarantees initiated in the 1985 Act. Under our proposal existing FmHA borrowers and beginning farmers who receive direct operating loans would face tighter loan eligibility and application requirements, limits on the period of eligibility for FmHA loans, requirements for demonstrated farming abilities, and a needs test for limited resource loans. Many of these changes would also apply to guaranteed operating loans in order to facilitate the eventful transition of FmHA borrowers to commercial sources of credit. The proposals would also strengthen FmHA's authority to subsidize guaranteed loans so as to make these loans more affordable and to encourage direct borrowers to shift to this source of funding.

The farm ownership loan program will be targeted to disadvantaged applicants, beginning farmers, and expanding family farms. More stringent requirements for loan eligibility and application procedures, borrowers' equity, and farming experience are added.

Finally, we are proposing that FmHA guaranteed loans be made eligible for the Farmer Mac secondary market that is being established. This should facilitate an efficient FmHA guaranteed lending program offering the lowest possible interest rate to the farmer.

Disaster Protection

Multi-peril Federal crop insurance has not achieved the objectives intended when it was expanded in 1980. Consequently, in the President's FY 1991 budget we have proposed eliminating the program. Participation has remained under 45 percent of eligible acres and, until this past year, was under 25 percent, even though premiums and delivery costs are heavily subsidized. In addition, the program has not provided a viable replacement for ad hoc disaster legislation, which has cost an average of $600 million annually since 1981.

In an ideal world, Federal disaster protection for farmers would be of reasonable cost; provide producers with catastrophic protection in the event of a widespread disaster; not crowd out insurance services provided by the private sector; and provide farmers with a risk management tool that is equitable and does not reward inefficiency. These objectives have proven difficult, if not impossible, to achieve.

We propose a standing disaster protection program to replace multi-peril crop insurance. This would provide the catastrophic protection farmers need and, hopefully, avoid costly and inequitable ad hoc legislation. Disaster payments would be available to producers in counties where crop yields fall below 65 percent of normal. Once a county is declared eligible, individual farmers would receive assistance on the difference between the producer's harvested yield and 60 percent of the normal harvested yield for the county. The payment rate on eligible losses would be 65 percent of a 3-year average market price. Producers of 200 crops currently covered by Federal Crop Insurance, plus hay and forage, would be eligible. These crops account for over 93 percent of total U.S. cropland.

Private insurers may develop companion policies that provide protection not covered by this disaster assistance program. By providing protection on catastrophic losses, private insurers are better able to cover types of agricultural risks that are effectively insurable. Further, hail and fire insurance would continue to be available. Moreover, the disaster assistance program would provide protection to those producers who have not participated in the crop insurance program in the past because they felt it failed to address their risk management needs.

We must recognize that risk is a fundamental characteristic of agriculture. Farmers who protect themselves against risk will benefit therefrom when conditions are adverse. If the government attempts to compensate producers every time a loss is incurred, farmers' incentives to self-protect against loss from price and yield risks are reduced and the adverse effects of normal price and yield variation are magnified.

Marketing and Inspection Services

In the area of marketing and inspection of agricultural products, we have several priorities. The number one goal is to ensure a safe and wholesome food supply. Just last fall, we established new procedures within USDA to respond promptly to food safety problems and our FY 1991 budget includes a special food safety initiative. We have also established a close working relationship with the Environmental Protection Agency and the Food and Drug Administration in order to resolve issues such as pesticide tolerance. In addition, a comprehensive food safety proposal has already been announced by the President.

We recommend amending the Agricultural Marketing Agreement Act of 1937 to authorize civil fines and penalties against handlers for non-payment of assessments. Nearly 50 percent of marketing order violation cases involve failure to pay assessments.

Many of the activities carried out by the Animal and Plant Health Inspection Service (APHIS) represent services rendered to a particular individual or group importing plants or animals from foreign countries. In these cases, we need user fee legislation so that the user or person requiring the APHIS service bears the financial burden.

We also propose legislation to require that all our corn exports be officially tested for aflatoxin. This will help correct our tattered quality image in world markets.

Food and Consumer Services

We support reauthorization of our food assistance programs, which have become so important to the nutritional well-being of low-income Americans. Benefits of the Food Stamp Program will be fully funded and support for the Temporary Emergency Food Assistance Program (TEFAP) will be continued. This represents a substantial commitment of the Department's limited financial resources.

TEFAP should be reauthorized so that both surplus and purchased commodities may be donated. This program fills an important need for many low-income Americans who have difficulty using, or choose not to use, other food assistance programs. Funding of $120 million for purchased commodities and $50 million for administrative funding would be provided.

The Food Stamp Program is the cornerstone of our national effort to provide nutritional assistance to low-income Americans. Proposed Food Stamp legislation would strengthen program accountability because the needy are best served by strong programs administered with integrity. We support proposals that will increase family income, thereby decreasing the need for food assistance. We believe that Food Stamp beneficiaries should take the maximum advantage of child support services.

We support a major effort to improve food program administration by increasing coordination among programs that serve low-income Americans. We are working through the White House Low-Income Opportunity Board and with other Federal agencies to achieve this.

Our proposals for food stamps also set aside special demonstration grants to reach out to homeless people. Most are eligible, yet few participate. We believe that innovative activities will increase their participation, improve their nutritional status, and help give them a better quality of life.

Science and Education

In the area of science and education, our proposals identify priority research and extension programs and provide additional funding authority to conduct a National Initiative for Research on Agriculture, Food and Environment.

A provision of the National Initiative would strengthen the ability of institutions with less well developed research capabilities to conduct advanced research and train the talent which will be required in the future in our agricultural sciences.

Scientists recognize the potential to solve agricultural problems ranging from animal diseases to environmental issues through the application of advanced biotechnology. In this regard, our provisions recognize the importance of genome mapping programs for crop plants and livestock species on a national scale and provide for USDA leadership in this area. Our proposal also recognizes that the development of non-food, non-feed uses of agricultural commodities is seen as a way to open new markets for U.S. agriculture and thereby strengthen demand.

With respect to environmental and health issues, our proposals recognize an important role for the USDA in research and extension education on food safety, rural water quality, global change and for environment and natural resources education. Sustainable agriculture practices are recognized as a means to address environmental concerns, and we propose to more effectively integrate such research into the land-grant system.

In view of political changes taking place around the world, and of the need to compete in world markets, we are also proposing to expand our international research and education programs and our international development activities through scientific cooperation and exchange programs.

Conclusion

Mr. Chairman, the 1990 farm bill proposals I have outlined today build on the market orientated international competitiveness initiatives of the Food Security Act of 1985.

While enhanced competitiveness is the major focus of our proposals, they were developed within the context of concern for the environment, food safety, nutritional needs of the poor, and first and foremost, the economic well-being of American farmers--family farmers.

We are committed to helping farmers identify and respond to new practices that allow them to reduce costs, increase profitability, support a safe environment, and produce a reliable supply of safe and affordable food. We do not perceive these objectives to be incompatible if we deal with them in a sensible, objective, systematic manner.

In closing, Mr. Chairman, we stand ready to work with the Committee and the Congress to develop new legislation that will help U.S. agriculture and the American people meet the challenges and opportunities of the 1990s.

national grange

1616 H STREET, N.W. WASHINGTON, D.C. 20006 (202) 628-3507
Robert E. Barrow, Master

March 21, 1990

The Honorable E (Kika) de la Garza, Chairman
House Agriculture Committee
1301 Longworth House Office Building
Washington, D.C. 20515-6001

Dear Mr. Chairman:

When we had the privilege of appearing before the House Agriculture Committee on ~~June~~ (July) 12, 1989 regarding the National Grange's recommendations for the 1990 Farm Bill, we informed the Committee that we would submit additional testimony following our 1989 Annual Convention.

With this letter, I am transmitting such testimony based on action that was taken on the 1990 Farm Bill at our annual meeting. You will note that we address most of the titles that were contained in the Food Security Act of 1985, plus supplementary information that we discussed with the Committee on June 12, 1989. I call the following sections to your attention: Dairy, Trade, Credit, Payment Limitations to Large Farmers, Wool and Mohair, Wheat, Feed Grains, Cotton, Rice, Soybeans and Honey, Small Farmers, Crop Insurance, Marketing, Conservation, Agriculture, Research, Extension and Teaching, Food Stamps and Related Provisions and Rural Development.

We respectfully request that this statement be made a part of the hearing record as a supplement to our testimony of June 12, 1989. Thank you.

Sincerely,

Robert E Barrow
Robert E. Barrow
National Master

REB/rfh
ccs: Subcommittee Chairmen
Subcommittee Ranking Minority Members

STATEMENT BY

THE NATIONAL GRANGE

INTRODUCTION

At one point in our history, agriculture and rural America were considered to be synonymous. We believed that nothing was so wrong with rural America that putting a profit back into the agricultural sector wouldn't solve. We assumed there was a large similarity, in terms of size, structure, production and commercial motivation, among the vast majority of our nation's farms.

This may have been true 50 years ago when a larger percentage of the rural population was engaged in the production of food and fiber, but it is far less true today. Today, rural America is far more dependent economically on the manufacturing sector than it is on the agricultural sector. By 1984, 36% of the United States' rural population and personal income was accounted for by counties where manufacturing was the dominate economic force while only 11.5% of the United States' rural population and personal income could be found in the 602 largest agricultural counties. When we identify the number of counties where the agricultural sector accounts for a majority of their economic activity, the list will not include over 100 counties.

The United States' agricultural sector is also far different structurally now than it was 50 years ago. New agricultural technologies have brought about a revolution in production and marketing practices. Many commercial agricultural enterprises have rapidly converted from labor-intensive to capital-intensive farming operations. Innovative contractual and legal relationships are transferring large amounts of risk as well as management authority from commercial farmers to integrated corporate processors in many parts of the agricultural sector. All levels of the government are far more involved in agricultural decision making. According to the 1987 Census of Agriculture, out of the approximately 2.08 million farms in the United States, only 469 produce 10% of the food and fiber in the United States while less than 76,000 account for 50% of our nation's agricultural production.

While the concentration of agricultural production in the hands of fewer and fewer commercial farmers has received some attention in recent years, another, perhaps more interesting, structural change in the agricultural sector is occurring at the other end of the spectrum as well.

According to the 1987 Census of Agriculture, over 50% of the farms in this country have gross annual sales of less than $10,000. Some of these farms represent very small, traditional, commercial farmers who are seeking to obtain a majority of their family incomes from their farms and are, therefore, living close to, if not in, a state of poverty. However, economic conditions and alternative employment opportunities over the past two decades have significantly reduced, but certainly not eliminated, the numbers of small, commercial farmers who are living at or near the poverty level.

By far, the vast majority of farms that gross less than $10,000 a year are not traditional commercial farms. They are either partially commercial or subcommercial operations. The majority of these farm family incomes are derived from off-farm sources. In the case of many subcommercial farms, the family does not expect their farm income to cover all of their farming expenses.

Research and data about the motivation of these small family farms is minimal. Most academic and government researchers ignore this part of U.S. agriculture. Traditionally, we have assumed that the motivations of the partially and subcommercial farmers are essentially the same as their larger, commercial-size cousins. These farmers have been characterized as being primarily beginning farmers who are building a commercial farm piece by piece or restructured farmers who are trying to rebuild a commercial farm after suffering a financial or natural disaster that forced a reduction in the size of their operation. By preference, if not by current choice or circumstance, small farmers were viewed as being homogeneous with medium-size and large farmers.

However, for many partially-commercial and subcommercial farmers, the economic/income motivations of commercial farms are far less important factors in their decision to start or continue farming. The desire to farm seems driven by choices of life style, recreation, or social responsibility rather than profit. In this context, farming is essentially the consumption of a way of life.

Caught between the largest commercial farms and the smallest, partially commercial and subcommercial farms are the family-size, commercial farms. These farms represent the closest approximation to our nation's traditional vision of what American agricultural production should be. According to a 1986 report by the congressional Office of Technology Assessment, this is also the farm structure that is most in danger of disappearing over the next few decades.

The National Grange believes it would be hopelessly counterproductive to try to turn back the clock and return to a golden age of agriculture. It would be equally unproductive to attempt to substantially halt the technological, structural, or social innovations in American agriculture. Agricultural policy for the 1990s must address the realities and must set appropriate goals for the 1990s. By desire or default, the majority of our nation's farmers are involved in agriculture in ways that are vastly different from the ways their parents' or grandparents' generation farmed. We are no more likely to see a return to a homogeneous family farm structure of agriculture in this country by the Year 2000 and beyond than we are to see the return of the traditional U.S. nuclear family where the vast majority of U.S. families consist of a working father, a housekeeping mother and two children with names such as "Wally" and "the Beaver".

Having acknowledged that farm policy cannot reverse the course of time, it is not an admission that it is either impossible or inappropriate for farm policy to have goals and objectives. Farm policy is like the rudder of a ship that is making a perilous journey down a river that is full of rapids. Its skillful use makes the journey easier. Its poor use makes the journey rougher. Its misuse makes the journey dangerous.

The National Grange believes that successful farm policy for the 1990s will focus on creating the maximum amount of opportunities for individuals and families to be involved in agriculture. It will also promote the economic, social and cultural well being of rural America. It must be policy that includes the interests of the non farming public beyond their role as consumers of agricultural products.

The National Grange's specific recommendations for inclusion in the 1990 Farm Bill reflect our organization's best efforts to come to grips with the changing face of the United States' agricultural sector. Grange policy is developed through an intense, grass roots resolution process. This process, which was pioneered by the Grange over a century ago, is designed to measure the policy preferences of our members while giving them the maximum amount of control over the policy process. Variations of this resolution/policy process have been adopted by almost every farm and rural interest organization that has followed the Grange. Last year, at the National Grange's 123rd Annual Convention, which was held in Greensboro, N.C., delegates from around the nation debated 475 different policy resolutions that had been submitted for consideration by our state organizations.

DAIRY

The National Grange supports calculating all milk purchases and all government dairy product surpluses under a dairy price support program that uses total milk solids instead of only milk fat solids.

The National Grange supports efforts to freeze the current levels of dairy product imports until the GATT negotiations can successfully ban the export subsidies that have been placed on dairy products that are imported into the United States. It also supports efforts to remove the export barriers that are preventing the United States' dairy products from entering foreign markets.

The National Grange supports a national, voluntary milk supply management program that recognizes the regional differences in milk production, availability of milk to market and its percentage contribution to the CCC's surplus stocks.

The National Grange favors instituting a two tier pricing system in lieu of across-the-board support price reductions or other supply control options as a standby voluntary dairy supply control mechanism.

The National Grange supports subtracting any and all dairy products that are used for government programs from any future calculation of federal dairy surplus purchases that could trigger a support price reduction or supply control program.

The National Grange believes that if bovine somatotropin (bST) is approved for use by the Food and Drug Administration, new educational programs should be established that will assist any dairy farmer who desires an adjustment in their management techniques so they can quickly and efficiently maximize their use of bST technology. Furthermore, an educational program should be established that will assure consumers that milk from bST-treated cows is safe to drink. bST manufacturers should pay for this type of education, and the FDA and other federal agencies should be instructed to make their cooperation in this effort a top priority.

The National Grange supports reducing the number of federal milk marketing orders, but we strongly support continuing the federal milk marketing order program.

The National Grange continues to support the efforts of the National Dairy Promotion and Research Board.

TOBACCO

The National Grange supports continuing the current tobacco program and opposes any increases being made in the quota beyond a modest point so that tobacco growers can absorb the recent, and any future, tobacco quota increases.

TRADE

The National Grange supports the efforts of the United States' negotiators at the GATT negotiations in Geneva in substantially and progressively reducing the trade distorting subsidies and practices of governments around the world. We oppose any negotiated settlement that would substantially "trade off" one U.S. agricultural sector for another, or would "trade off" U.S. agricultural sectors, in general, for an overall agreement in other negotiating areas.

The National Grange supports the reauthorization and continuance of the United States' existing export programs and the import-limiting programs that are recognized under the April 1989 GATT framework for agricultural negotiations.

The National Grange believes that the 1990 Farm Bill should be crafted to meet the needs of U.S. farmers and should then be amended to conform to the requirements of a new GATT treaty, if necessary.

The National Grange urges the Federal Grain Inspection Service's adoption of a grain grading system that is accurate, repeatable, simple, fast and usable by all grain elevator operators, that will objectively describe the end-use quality of the grain, and that will discourage the introduction or reintroduction of foreign matter into grain shipments. This system should include dockage that is rounded to the nearest tenth, and the amount of protein in the grain should be reported on a dry matter basis.

CREDIT

The National Grange supports the general continuance of the provisions that are contained in both the Credit Title of the 1985 Food Security Act and the Agricultural Credit Act of 1987.

The National Grange supports the mandatory use of mediation in cases of farm foreclosure.

The National Grange supports separating non agricultural lending programs from the Farmers Home Administration. They should be reconstituted as a separate rural development program. The FmHA should then be redirected as a farm lending agency only.

REDUCING FARM PROGRAM PAYMENTS TO LARGE FARMERS

The National Grange supports efforts to eliminate paying direct farm program benefits to the nation's wealthiest, agricultural producers. As farmers increase their production beyond certain modest points, their benefits from direct farm programs should be reduced, eventually to be eliminated. We also support efforts to tighten the existing regulations on farm program payment limits.

According to data from the 1987 Census of Agriculture, 469 farms account for 10% of the total agricultural production in the United States. Less than 76,000 farms account for 50% of all agricultural production. In his Fiscal Year 1991 Budget Report to the Congress, President Bush reported:

> "In 1987, for example, 30 percent of the $22.4 billion in commodity-related subsidies paid to individuals went to the four percent of farm operators with average net total cash incomes of more than $100,000 per year and with net worths of nearly $850,000."

One of the fundamental changes in the structure of agricultural production over the last half century has been the expansion of larger, commercial farms. Fewer and fewer farms are accounting for a majority of United States' agricultural production. The National Grange does not believe that there is substantial public purpose gained by providing direct price and income support payments to this nation's largest and wealthiest farmers. There is, however, a substantial public purpose in providing direct price and income support programs to the over 96% of this nation's farms that are small to moderate in size.

Farm income and price support programs that have equally supported every bushel, bale, or pound of production have been inefficient because they have supported the last units of production on large, expanding farms equally with the first units of production on all farms. These programs have distorted the distribution of farm input resources. By substituting government programs for private risk management, large farms have increased their ability to command input resources, such as land, labor, capital and chemicals.

Farm programs fail to provide adequate market-based signals to large and expanding producers that the value to the market and to society of each subsequent unit of their production is diminishing. Our farm economy has compensated for the large producers' unneeded production surplus by eliminating the total production base of small- and medium-size family farms.

Eliminating direct farm program price and income programs for large farmers would redress this problem. By limiting program benefits to small- and moderate-sized farmers, federal farm programs would assure both the nation and the world of a diverse and efficient agricultural sector. It would help to maintain a "critical mass" of agricultural economic activity in rural America.

Rather than collapse and be driven from the market, or suddenly increase production to compensate for lost program benefits, large farms would instead focus on risk management and resource management rather than resource control in order to achieve prosperity. Even now, the commercial success of this nation's largest farms is not determined by their participation in farm programs. According to the USDA/ERS, farms that gross more than $500,000 per year receive the highest amount of direct farm income support payments on a per farm basis. At the same time, those payments constitute the smallest percentage of the total net farm income for any class of commercial farmers.

The policy questions of farm structure and opportunity go beyond simple economics. As William D. Hefferman, professor of Rural Sociology at the University of Missouri, states in his article "Can The Family Farm Survive?", "...the structure of agriculture has a bearing on the structure...the make up and vitality of the rural community."

A declining quality of life in rural communities is perhaps the greatest loss that is surrendered by subsidized consolidation. Various sociological studies that have been done over the past two generations have shown that large scale agriculture is associated with high levels of community residents who are living at or below the poverty level, low levels of community services and retail outlets, concentrated community decision making and low community cohesion.

In contrast, communities that have a large number of small- to moderate-size farms rate highest in indices of economic vitality, citizen involvement in community affairs, the number and strength of community institutions (such as libraries, schools, churches and Granges), and in economic support for agricultural input suppliers. The human and social values that have been learned by the large number of people who are engaged in operating a family-size, farm enterprise benefit our rural communities, which, in many instances, overshadows the economic value of an individual farming enterprise.

Still, large farms have their strong defenders when it comes to the question of their eligibility for participation in farm price and income support programs. Most of the reasoning in favor of retaining price and income supports for large farmers focuses on three major arguments:

1. Price and income support programs are actually farm resource "rental" programs and not independent instruments of public farm policy. Some economists and farm policy experts characterize farm price and income support programs as rent the federal government pays for using private farm resources. These arguments further assume that as rent, these programs take on a private, contractual nature. The addition of farm policy goals that do not conform to the traditional requirements of a rental contract, such as eliminating program benefits to farmers based on their size, is portrayed as a breach of contract.

   Farm programs often contain an expectation of action for payment. Some farm programs, such as the Conservation Reserve Program, are specifically structured on a contractual basis. However, the contract model too narrowly defines the operation and goals of price and income support programs. There is no clear consensus among those who are familiar with farm programs - participants, consumers, experts - that farm programs should be so narrowly construed. The legislative history of recent farm bills does not demonstrate that Congress ever intended farm programs to be administered primarily as private rent contracts.

   The National Grange does not believe that farm programs are, above all else, rental contracts. Program payments do not constitute rent in a traditional sense. Payments are based on aggregate farm production - not on the farm's resources the government wishes to control.

   Portraying farm programs as simply rent contracts is also dehumanizing. They infer that the interests of farmers and consumers must be put behind those of the government in controlling farm resources. It elevates the means of carrying out farm policy to the status of policy goal. It ignores the possibility that our nation may have additional non contractual goals for its farm policy. The National Grange believes that farm policy should reflect higher and more diverse goals than just that of government resource control. We also believe that a substantial portion of the non farming public supports our view.

2. Large farmers must participate in farm price and income support programs to achieve the supply management goals of farm policy, which, in turn, provide direct benefits to all farms - small, medium and large - and reduces the government's outlays in these years of tight budgets. Some critics of eliminating direct farm program benefits for large farmers assert that without the participation of large farms in farm programs, voluntary supply management would be impossible, or it would have to bear more heavily upon small- and medium-size farmers who still participate in the program, or it would have a disastrous effect on the federal budget. Eventually, this commodity supply chaos could lead to imposing mandatory supply control formulas in order to

replace voluntary supply management. Therefore, the costs, in terms of money and the loss of the non farming public's political support, of continuing to provide large farmers with price and income supports is justified.

There is no clear consensus that large farms would, as a group, decide to increase their production by an amount that is sufficient to cause severe disruptions to voluntary supply goals if they were excluded from participating in direct farm programs. Large farmers are not so dependent upon farm program payments that they would be driven by economic necessity to substantially increase production to compensate for their loss of program benefits. As former USDA Assistant Secretary John A. Schnittker testified before the House Subcommittee on Wheat, Soybeans and Feed Grains on March 1, 1990, "Acreage reduction requirements in the next few years appear to be modest, largely nullifying the argument, never quite valid, that payment limits will lead to surpluses as a few big farmers opt out of the program."

If large farms were denied direct farm program payments, their production options would include a wide variety of choices, including reducing their output to, once again, qualify for farm program benefits, diversifying their production among a wider variety of crops, livestock and markets to compensate for the loss of risk protection that farm program benefits provide, farm as they always have except without their farm program payments, leave farming, or finally, increase their production significantly. The overall effect upon supply or supply management goals would be mixed at best.

The National Grange also questions whether or not farm program participation is the only way to achieve supply management from large farms. We believe that market forces would effectively manage supplies for the large farmers who are denied the benefits of farm program price and income protection. This is especially true if the large farmers who were once denied access to farm programs had to operate several cropping seasons without the programs' protection. To some extent, the current farm programs socialize the risks but privatize the profits for our largest farmers. The Grange believes this program has helped to drive the subsidized consolidation of farms in this country, endangering the continued existence of moderate-size family farms and destroying the opportunity for hundreds of thousands of American families to farm. Farmers who must bear the full risk of 95 cents/bushel of corn will think twice before acquiring their neighbor's farm for its corn base acreage. If they don't, their bankers will.

Even if the risks of unprotected expansion do not deter expansion-minded farmers and their bankers, we still believe that the increased budget costs to the federal government to shield small- and moderate-size family farmers from the effects of commodity price uncertainty created by the unwarranted expansion of large farmers would be far more justifiable to the non farming public than the current program of financial rewards to the largest and wealthiest farms in the country.

3. Without the farm price and income support programs, large farmers will not participate in conservation programs. With the passage of a conservation title in the 1985 Farm Bill that tied some conservation programs to commodity program payments, critics of efforts to eliminate direct farm price and income support payments to large farmers assert that the conservation goals of the 1985 Farm Bill cannot be achieved without the widespread participation of large farmers in commodity programs.

This argument is more of one of convenience than of substance. This nation's agricultural resource conservation efforts date back more than a century. Significant increases in conservation efforts can also be attributed to the administration's of Presidents Theodore Roosevelt, Franklin Roosevelt, Harry Truman and Dwight Eisenhower. The 1985 Farm Bill's conservation provisions complemented, but did not replace, existing farm resource conservation programs that did not rely upon coordination with price and income support programs to achieve their goals.

Even within the 1985 Farm Bill's Conservation Title, not all of the programs require direct coordination with price and income support programs. The Conservation Reserve Program is structured as a long-term rental contract. Payments are not based on production (or even deferred production). Eligibility is not directly tied to participation in other farm programs. The Conservation Reserve Program does include a $50,000 per year payment cap provision. Including a payment cap in the Conservation Reserve Program demonstrates that Congress never intended the achievement of conservation goals to preclude the achievements of farm structure policy goals.

In an era of budget consciousness, it is also fair to ask whether or not the taxpayers' funds that are paid to large farmers through farm price and income support programs is the most effective way to achieve our conservation goals. The National Grange does not think so. According to President Bush's FY1991 Budget Report to Congress, nearly $1 billion could be saved from commodity program payments by making farmers who have gross sales of $500,000 or more a year ineligible for farm program payments. A fraction of these funds could significantly increase the resources that are available for a wide variety of existing conservation programs. For example, according to the USDA's 1991 budget summary, $175 million, or 17.5% of the funds that are saved by excluding large farmers from commodity programs, would double the proposed, or existing, funding for each of the following existing soil and water conservation programs: Colorado River Basin Salinity Control Program, Water Bank Program, Forestry Incentives Program, Emergency Conservation Program, the Agriculture Conservation Program's special water quality project, the Watershed Planning

Program, the River Basin Surveys and Investigation Program, the Great Plains Conservation Program and the Resource Conservation and Development Program.

Will reliance upon increased educational efforts, technical assistance and research achieve a 100% compliance rate among U.S. farmers - large, medium and small - for conservation programs and goals? Probably not. However, tying conservation programs to commodity payments to large farmers leaves large compliance gaps as well. According to the 1987 Census of Agriculture, only about one-third of the farms in the United States receive direct commodity program payments. Commodity payments go to farms - large, medium and small - regardless of the severity or complexity of the 1985 Conservation Title problems they face. As more conservation-related restrictions are added to the commodity programs, the chances are that more and more large farmers will stop participating in commodity programs, anyway, to avoid compliance with the restrictions. The National Grange believes that our nation can successfully deny large farmers the direct benefits of commodity farm programs and then, by redirecting a small portion of the savings, achieve a comparable level of agricultural resource protection.

Eliminating direct farm program price and income support payments to this nation's largest and wealthiest farms will not violate any contract or agreement, will not jeopardize supply management goals and does not need to substantially effect farm resource conservation goals. Eliminating direct farm program payments to large farms will strengthen opportunities for more small- and medium-size family farms to prosper and survive. It would strengthen rural communities. It would assure our nation and the world of a diverse and efficient agricultural sector. It would substantially reduce the current policy of socializing risks while privatizing profits for large farms. It would increase and strengthen the level of support for progressive and sensible farm programs among the non farming public.

WOOL AND MOHAIR

The National Grange supports continuing the Wool and Mohair Title of the Food Security Act of 1985 with minor adjustments being made to target the benefits of the program to the small and medium-size commercial farmers.

PEANUTS

The National Grange supports continuing the Peanut Title of the Food Security Act of 1985 without reducing the poundage quota and price supports. We further support adjustments being made to the program that will target the benefits of the peanut program to the small and medium-size commercial farmers.

WHEAT, FEED GRAINS, COTTON, RICE, SOYBEANS AND HONEY

The National Grange supports instituting a recourse marketing loan program for wheat, feed grains, cotton, rice, soybeans and honey in the 1990 Farm Bill with the loan rate being set at or near the average national cost of production.

The National Grange believes that loan rate adjustments, deficiency price adjustments, and voluntary acreage reduction programs should be designed to assure the United States that its carryover stocks will not be greater than 50% of the total average annual domestic use and foreign sales of each crop.

The National Grange supports cross compliance provisions (i.e., the requirement that if a farm is enrolled in one commodity farm program, all of the other commodities that are produced on that farm must also be enrolled in the appropriate farm program). However, we oppose implementing cross compliance when that implementation would substantially interfere with a farmer's ability to institute an approved soil conservation management program, an approved groundwater and surface water management program, or a Low Input and/or Integrated Pest Management Program. We further believe that the Secretary of Agriculture should have discretionary authority to waive cross compliance provisions in order to meet environmental goals or excessive tight supply situations.

The National Grange supports further efforts to target the benefits of federal farm programs to small and medium-size farmers. As farmers increase their production beyond certain modest points, their benefits from direct farm programs should be reduced, eventually to be eliminated. As a starting point, the National Grange believes that the current maximum limit of $50,000 in direct program payments, with a maximum payment of $100,000 per individual and $250,000 in crops that are under loan, should be maintained and strengthened.

The National Grange believes that each individual or family member who can demonstrate that they contribute legitimate and substantial financial, management and labor resources as part of a separate farm operation or as part of a legally drawn up family partnership agreement should be considered a separate "person" for the purpose of determining eligibility for farm program benefits. However, we oppose subdividing any existing farm or farm operation and subsequently using a farm partnership agreement for the primary purpose of qualifying additional individuals or family members as separate persons for eligibility for farm program benefits.

The National Grange supports allowing small farmers to have more than one (1) plot of five acres per farm that may be used to meet set-aside goals.

The National Grange supports the reopening of and using actual crop yield history in determining farm program benefits.

The National Grange recommends that regulations regarding the haying and grazing of set-aside acres be the same in all states. Use of set-aside acres should be restricted to the owner/operator of the farm and can only be used between normal growing seasons. The Secretary of Agriculture should be allowed to make exceptions as emergency conditions dictate.

SMALL FARMERS

The National Grange believes that the 1990 Farm Bill should include a separate title that is related to addressing the needs of the small farmers within the United States, especially those farmers who own partially commercial and subcommercial farms. According to the 1987 Census of Agriculture, one-half of the farmers in this country have annual gross sales of less than $10,000.00. Three-fourths of those farmers gross less than $50,000 per year.

The National Grange believes that a larger proportion of the direct financial benefits of federal farm programs should be "targeted" to small farmers.

The National Grange believes that the programs and missions of the USDA's Office of Small Scale Agriculture should be substantially upgraded. Currently buried deep within a cooperative state research service, the Office of Small Scale Agriculture is the only agency in the USDA that attempts to translate and direct the wide variety of services that are offered by the USDA to our nation's small farmers. These farmers need more research to be done regarding management techniques for part-time farming, alternative marketing opportunities, new financial management systems, appropriate technological innovations and general education. Furthermore, small farmers need a strong, high level, well funded ombudsman to fight for their needs within the USDA.

CROP INSURANCE

The National Grange supports continuing a voluntary federal crop insurance program. Crop insurance should be expanded to assure that farmers who produce all commodities have crop insurance services available to them through private insurance companies or a direct federal crop insurance program.

The National Grange believes that farmers who choose not to take advantage of crop insurance coverage that is available for their crops should be ineligible to receive supplemental, federal, disaster assistance when such assistance is made available.

The National Grange supports changing the basis for coverage on an insured crop from a percentage loss of normal crop basis to a dollar or unit amount of loss per acre basis.

The National Grange believes that crop insurance policies that are provided to farmers either through private insurance companies or a direct federal crop insurance program must use clear and simple language to describe all exceptions, limits and other provisions that concern policy coverage. We oppose including policy exceptions or limits as part of policy footnotes.

The National Grange opposes the continued use of area coverage by federal crop insurance programs. We support efforts to establish a realistic production base for each tract of land that is covered by crop insurance.

The National Grange supports making administrative changes in the Federal Crop Insurance Program to accelerate the processing and paying of claims.

MARKETING

The National Grange generally supports the provisions of the Marketing Title of the 1985 Farm Bill.

The National Grange supports the USDA's establishment of a national standard for the production, definition and identification of agricultural products that are produced without the use of agricultural chemicals that may be labeled as being "organic".

The National Grange supports efforts that are made towards commodity promotion and research. The National Grange believes that the mandatory assessment provisions of a commodity promotion program may go into effect provided a farmer vote occurs within a reasonable period of time. The National Grange also believes that provisions should be made to refund the assessments that are paid prior to a farmer vote for those farmers who desire them.

The National Grange supports strict adherence to a maximum 5% administrative overhead cost for any commodity promotion program. Furthermore, we believe that no commodity promotion funds that are collected by mandatory assessment should be used to directly support a commodity trade association or to finance any portion of a lobbying effort in any branch or level of government.

The National Grange supports the automatic opening of nominations to all federally-overseen commodity promotion boards of directors to include those nominations that are submitted by general [illegible] organizations.

The National Grange supports collecting [illegible]ory commodity promotion program assessments from all applicable agricu[illegible]l imports.

CONSERVATION

The natural resources of the United States, such as soil, air, wildlife and water, are unique treasures. The National Grange has a long and proud history of supporting soil and water conservation programs for our nation's farms. Many of the founding members of the modern conservation movement, such as Gifford Pinchot, were active farmers and leaders in the Grange at one time.

As we consider some of the natural resource problems that our nation faces and the appropriate policies that should be included in the 1990 Farm Bill to address agriculturally-related natural resource problems, it might be well to consider the severity of the agriculturally-related natural resource problems that other nations face today as well.

Around the world, natural resource problems abound that are created or exacerbated by poor, centralized government decisions regarding agricultural policy. In Europe and Japan, artificially high price supports have promoted the use of farm chemicals at two to three times the rate per productive acre as in the United States. In the Soviet Union, mismanagement of large scale irrigation projects is causing the drainage of a major lake on the Eurasian Steppes, which is creating an ecological disaster. In subsaharian Africa, cropping practices and the widespread removal of trees for firewood is increasing the risk of drought and desertification. In Brazil and other equitorial nations, the government promotion of "slash and burn" agriculture is causing the destruction of critical rain forests.

In the United States, we have natural resource problems of our own that may be traced, in part or in whole, to agricultural policies and practices. But our problems are far less severe and far more manageable than are the actual and potential ecological catastrophes that are cited above. The main difference between the United States' policies and those of other nations is that we have relied heavily upon the time tested benefits and responsibilities of private property ownership and management to provide this nation with one of the highest levels of resource protection of any nation on earth. Coupled with private ownership has been a 50-year tradition of incentive-based, cooperative programs, which are administered by state and local governments, in which farmers participate to redress environmental and conservation problems on our nation's farms. This system has served us well.

Prior to 1985, our national policy was to redress environmental and farming conflicts in such a manner that would benefit both farmers and the environment. Successful farming, as well as successful resource management, is, after all, dependent upon the wise, educated and voluntary stewardship of the men and women with whom we have entrusted the responsibility of producing our nation's food and fiber - our family farmers.

However, the philosophical focus of this nation's natural resource conservation efforts began to shift in the 1985 Farm Bill. We are subtly adopting a national farm/environmental policy that increasingly advocates that when farming practices are alleged to conflict with environmental goals, the preferred recourse is to stop people from farming.

Traditional, federal, soil and water conservation cost-share programs, such as the Great Plains Conservation Program and the Agricultural Conservation Program, have had their appropriations drastically reduced as scarce financial resources have been shifted to fund the programs that were created by the Conservation Title of the 1985 Farm Bill. As an alternative to the traditional cost-sharing programs, our new philosophy is to pay people not to farm when they are accused of conflicting with their environment. This is the rationale that is behind the Conservation Reserve. Another approach is to use the selective threat of economic duress to coerce farmers to leave farming or surrender a large portion of their managerial decisions to the federal government. This is part of the rationale that is behind the swampbuster/sodbuster, conservation compliance and the FmHA's Conservation Easement programs.

There is undoubtedly a clear public policy rationale in assuring that farm policy and natural resource conservation policy goals do not conflict. Sending farmers differing signals through price and income support programs in order to produce surplus crops on environmentally-sensitive land is poor public policy. The Grange supports efforts that will reform the farm program commodity base system so that it will take into account cropping and management practices that would enhance the environment. We also support taking a fresh look at the swampbuster/sodbuster and conservation compliance programs in order to inject a greater degree of flexibility into those programs. For example, the penalty for sodbusting one acre (loss of all federal farm program benefits) is the same penalty for sodbusting 10,000 acres. Once you start sodbusting, you might as well go on forever. Conversely, once you've sinned and have fallen from grace, even as a minor sodbuster, total redemption is difficult to achieve.

Yet, for all the possibilities for fine tuning farm policy and natural resource conservation policy goals, the National Grange believes that, in 1990, Congress should reestablish flexibility, cooperation, and voluntary action as the cornerstones of our nation's agricultural, soil, water and air conservation policies. We believe that individual farmers, rather than the federal government, should be recognized as the leading force in conserving farm resources. We support reestablishing incentive-based approaches to the problems of agricultural pollution and placing greater emphasis on education, research, technical assistance and financial incentives before new alternatives are employed that are based on coercive strategies.

We support delegating to the states the authority to develop and implement agricultural resource management plans that are responsive to local community needs and conditions. Such plans should be use based and should account for the existing, as well as planned, resource use. They should exclude non-attainable goals, such as absolute non degradation. They should also provide for input from the farming and conservation communities as well as from individuals. They should be flexible enough to protect a farmer's legitimate economic interests, including property rights. Finally, a weighing of costs vs. benefits for innovative proposals should be part of any sensible resource management policy.

The federal government's role should be to develop the broad standards for state and local natural resource planning. The federal government must also provide state and local governments with technical assistance and the financial resources with which to implement and carry out natural resource management plans. Those state and local governments that have already proceeded with locally-based, natural resource management planning should be credited for those efforts.

Continued emphasis on centralized coordination with farm programs in order to achieve our natural resource protection goals is conservation on the cheap. The preservation of valuable natural resources requires public investment - not just coordination. With only about one-third of this nation's farmers receiving direct farm program payments, farm program-based conservation affects only a patchwork quilt of our farm resources. Increasingly strict coordination between direct farm programs and natural resource protection may lead to lower levels of participation in direct farm programs, fretting away the coordination and leverage that centralizing natural resource protection was supposed to achieve.

No nation that currently faces a major agricultural resource conservation problem ever deliberately intended to create that problem as a by product of agricultural policy. Those problems still exist. Our nation has avoided major ecological farm disasters by emphasizing a policy that relies upon the wise stewardship of farmers who own and manage their property. We have created a decentralized voluntary system to provide education, research and technical assistance to achieve natural protection resource goals on farms. Reestablishing flexibility, cooperation and voluntary action as the cornerstones of our nation's agricultural resource conservation policy is the best method by which to assure that our nation maintains the highest level of agricultural resource protection of any nation on earth.

CONSERVATION

The National Grange supports continuing, but not expanding, the Sodbuster, Swampbuster, Conservation Reserve and Conservation Compliance provisions of the 1985 Food Security Act.

The National Grange supports the exemption of up to two acres per farm from the current sodbuster provisions in order to allow for the planting of high value, labor-intensive crops.

The National Grange supports exempting each individually-defined wetland that contains less than one and one-half acres from the swampbuster penalty provisions.

The National Grange supports creating a special interagency federal commission that will establish uniform definitions of the physical conditions that constitute a wetland. These definitions must be used by all federal, state and local agencies that have authority over matters that are related to wetlands on farms, including the U.S. Soil Conservation Service, the U.S. Fish and Wildlife Service and the U.S. Army's Corps of Engineers.

The National Grange supports requiring all federal agencies that have authority over matters that are related to wetlands on farms to revise their permitting procedures to recognize and accept all appropriate conditions that are met by a farmer to meet the requirements of a permit for one agency to be sufficient to meet the conditions of the other agencies as well.

The National Grange supports authorizing direct, federal financial assistance in order to compensate farmers for the value of the property taxes they must continue to pay on any property that the farmers may own and whose use is severely restricted under federal farm program wetland provisions.

The National Grange supports the CRP's inclusion of land that has a high potential for groundwater contamination from normal and accepted farm management practices.

The National Grange supports allowing CRP land, where appropriate to the goal type, to be used for raising pulpwood without a reduction in CRP's rental payments.

The National Grange opposes any relaxation in the maximum amount of $50,000 per year in CRP payments to any person, including incidents of involuntary land acquisition, such as through inheritance or foreclosure.

The National Grange believes that the standards for any soil conservation management plan, groundwater management plan, or Low Input/Integrated Pest Management Plan must be farm-specific and must use only the best generally available management practices. We oppose the imposition of any absolute nationwide management standard (such as "t" for soil conservation) for any farm conservation or environmental protection program where a farmer could lose his/her farm program benefits.

The National Grange supports the adoption of a new ground and surface water quality control program under the Conservation Title of the 1990 Farm Bill. Such a program should focus on technical assistance, financial assistance, increased coordination among federal, state and local agencies, educational programs and individual farm management plans. It should also include comprehensive well testing and other appropriate research programs.

The National Grange believes that the traditional soil and water conservation programs with both technical and financial assistance, such as the Agricultural Conservation Program, should be revised and increased to pre 1985 funding levels. Future conservation and environmental programs that emphasize financial assistance, technical assistance and educational efforts should be considered before any programs are deliberated that are based on coercion in order to achieve their goals.

The National Grange supports the designation of an agricultural natural resource ombudsman who would report directly to the Secretary of Agriculture and who would have the authority to oversee, coordinate and harmonize the agricultural, natural resource missions of the USDA, the EPA, the FDA and the Army's Corps of Engineers.

AGRICULTURAL, RESEARCH, EXTENSION AND TEACHING

The National Grange generally supports the provisions of the Agricultural Research, Extension and Teaching Title of the 1985 Food Security Act.

The National Grange supports significantly increasing the percentage of federal agricultural research funds that are allocated on a competitive basis and supports reducing the percentage of research funds that are allocated by direct congressional appropriations to specific institutions.

The National Grange supports increased research efforts towards the development of the best and humane management practices in the care and maintenance of agricultural and companion animals.

The National Grange supports appropriating more funding to develop new alternative crops, such as Jojoba, and new uses for alternate and existing crops.

The National Grange supports developing improved educational efforts for the safe use and disposal of farm chemicals. Further federal educational efforts should be directed to providing the consumer with greater confidence that farm chemicals are being used properly in the production of food without measurable risk of contamination to food or the environment.

The National Grange supports increased research on biological methods of pest control.

The National Grange supports significantly increased research being done on Low Input Sustainable Agriculture (LISA) practices. Data should be developed that will determine which practices will improve groundwater, soil, air, and other environmental factors while maintaining or improving crop yields and the quality of agricultural products. Special emphasis should be given to finding the most effective way to educate existing farmers about ways in which they can integrate LISA practices with their current farming operation.

FOOD STAMPS AND RELATED PROVISIONS

The National Grange generally supports continuing the Food Stamp and Related Provisions Title of the 1985 Food Security Act.

The National Grange supports allowing state and local governments to levy sales taxes on food that is purchased with food stamps provided that such sales taxes are the normal practice for food sales in that state or locality.

The National Grange opposes any further expansion of the Commodity Letter of Credit (CLOC) programs in place of direct commodity distribution programs.

RURAL DEVELOPMENT

The National Grange believes that the 1990 Farm Bill should contain a title that addresses rural development.

The National Grange believes that the agricultural sector, particularly small and medium-size farmers, should be recognized as being an important component of any rural development strategy.

The National Grange believes that the Farmers Home Administration's non agricultural lending programs should be separated from the FmHA and should be reconstituted as rural development programs.

The National Grange believes that rural development should focus on the strengths of the individual rural community and the efforts of these communities to build their own appropriate development strategy. We oppose the large scale use of federal funds to attract large manufacturing plants to locate in rural areas when they would not have otherwise done so.

The National Grange opposes using efforts to "urbanize" rural areas as solutions to rural problems (for example, the massive use of sewer and water development projects to support high density commercial, industrial, and residential areas in rural communities). Furthermore, rural communities that are facing development pressures from nearby urban areas should be allowed to refuse any federal or state development assistance they deem proper without penalty or prejudice.

The National Grange supports increased efforts to raise the quality of rural education opportunities, including creating new job training programs.

The National Grange supports increased funding from the federal Highway Trust Fund (HTF) for the planning and maintenance of county, town and township roads and bridges. We further support the appropriation from the HTF of minimum state allocations for rural mass transit systems.

The National Grange supports efforts to upgrade the communication and information infrastructures in rural communities to meet the standards that urban residents expect.

The National Grange believes that rural electric cooperatives have an important role to play in rural development efforts. However, we oppose the development of a rural development program that would substantially disadvantage or exclude rural communities that are not served by a rural electric cooperative.

The National Grange believes that the minimum availability of health care in rural areas is necessary for successful rural development and supports pilot programs in order to determine the best mix of affordable health care resources in rural areas.

RURAL LIFE OFFICE 1990
CATHOLIC ARCHDIOCESE OF LOUISVILLE
SPALDING HALL 114 NORTH FIFTH STREET BARDSTOWN, KENTUCKY 40004 (502) 348-0767

February 22, 1990

Representative F. de la Garza
Room 1301
Longworth House Office Building
Washington, DC 20515

Dear Representative de la Garza:

Thank you for the News Releases from the Committee on Agriculture. This morning I shared the 2-5-90 sheet with a group of farmers. They seriously questioned how much recovery American agriculture has sustained since 1985. Writing down farm debt has helped some farmers, but others have lost their farms which means homes and livelihood.

Recommendations for changes in the 1990 Farm Bill are:

1. Set loan rates at direct cost of production: set target prices at cost of production plus equitable return on investment.
2. Change quotas from acres to bushels.
3. Discontinue generic commodity certificates.
4. Increase FmHA's farm ownership loans to beginning and family farmers.
5. Endorse Minority Farmers Rights legislation.
6. Continue conservation provisions.
7. Develop sustainable agriculture guidelines.

Thank you for your attention to these important programs.

Sincerely,

Gayle Brabec

Gayle Brabec
Rural Life Director

GB/ed

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON AGRICULTURE

MAY 1, 1990

TESTIMONY ON 1990 FARM BILL

BY U.S. REP. JERRY COSTELLO

21ST CONGRESSIONAL DISTRICT, ILLINOIS

Let me begin by saying that I recognize the challenges facing the Committee as you deal with the dual task of keeping agriculture expenditures within reasonable budget levels while at the same time meeting the needs of the American farmer.

For the past several months, a small committee of farmers and other individuals involved in agriculture in Southwestern Illinois has gathered to discuss various aspects of the 1990 Farm Bill.

Knowing that the full Agriculture Committee is interested in including a broad spectrum of views in creating this legislation, I wanted to pass along some of their thoughts as well as my own as you proceed with full committee markup of this important bill.

This testimony reviews several areas of the proposed Farm Bill, including the food safety, federal crop insurance, the environment, resource conservation, and trade policy programs, among others.

The 1985 Farm Bill has worked, to a large extent, to improve the agriculture export prospects for the United States while at the same time slowing the economic depression that faced farm communities in the mid-1980's.

While much of the 1990 Farm Bill will remain the same, there are several areas where the Committee will be considering changes.

In the area of target prices and loan rates, it would be my hope that the Committee will adopt language to keep the level of target prices and the bottom of loan rates at levels which allow a marketing concept that is profitable to producers. In this area, it would also be my hope "decoupling" would not be introduced as a new concept in this legislation.

One area I am certain the Committee will be looking closely at is the program acreage and planting rules. As we deal with an agriculture industry that often finds itself with surplus commodities, it makes no sense to continue to pay farmers to overproduce certain crops. In these instances, expanded "planting flexibility" would assist farmers by allowing them to respond more to market changes without the penalty of losing their existing crop bases.

The Committee will also be considering the Federal Crop Insurance Program. New efforts need to be made to encourage greater numbers of farmers to participate in the Federal Crop Insurance program to reduce reliance on the Disaster Payment Program. Part of the payments saved from the Disaster Payment Program could be used an incentives that would result in a greater number of producers signing up for FCI.

There has been much discussion this year, and especially recently because of the 20th Anniversary of Earth Day, about the environment and agriculture's role in environmental protection. Many states are encountering increasing confusion about the interpretation of wetlands protection, which has in turn created great concern among the farm community.

As the Committee considers amendments to the Swampbuster and Sodbuster provisions, it is my hope they will consider a variable penalty system to give USDA flexibility for enforcement while not assessing huge penalties for minor violations. A great many farmers take pride in their care of the land they live and work on, and it is disturbing to see them penalized as a group for the violations of a few.

Finally, the efforts of the Committee to pass legislation to increase economic development in rural areas was greatly appreciated in rural Illinois. It is my hope that the establishment of a Rural Economic Development Act, working through local communities and state rural economic development boards, will enhance economic development without a major destruction of the charm and history of our rural communities.

I greatly appreciate the Committee taking these comments into consideration as you continue to deliberate the 1990 Farm Bill and craft legislation that will address our agricultural needs for the next five years.

October 24, 1989

INDEPENDENT BAKERS ASSOCIATION
P.O. Box 3731 • Washington, D.C. 20007 • (202) 333-8190

1990 FARM BILL POSITION

With the multi-year omnibus farm bill to be drafted over the next year IBA will focus its lobby efforts on commodity price supports for dairy and wheat, import quotas for sugar, wheat export subsidies (EEP), acreage reduction programs for wheat, wheat and sugar carryover stocks, wheat certificate tax and target prices.

POLITICS

Congress may delay action the 1990 farm bill until 1991. The Committees of both the House and Senate have begun Washington and field hearings but, in general, progress to date has been slow. In 1990 eight of nineteen current members of the Senate Agriculture Committee terms will expire. All the members of House Agriculture Committee will be up for re-election. Congress could extend the 1985 Food Security Act with minimal modifications as an element of a budget resolution or attempt to pass a farm bill in early 1990 to avoid election schedule conflicts. It is too early to predict timing at this writing.

COMMODITY PRICE SUPPORT PROGRAMS

Federal commodity price support programs originated as temporary emergency New Deal initiative designed to aid victims of the Dust Bowl and the Great Depression of 1930's by raising farm income. The price support programs were designed to constrain production during periods of surplus and help even out farm marketings over the course of a year in order to balance supply with demand at a price that would keep farm income sufficiently high. The Agricultural Adjustment Act of 1930 remains the permanent legislative authority for commodity price support programs amended by each successive farm bill.

Commodity price supports programs have been one of the largest elements of agriculture related spending. The programs are a major factor in the Federal budget deficit. Spending for price supports averaged $3 billion annually for the ten years prior to 1982. Fiscal year (FY) 1982 spending jumped to $12 billion and climbed to $25.7 billion by FY 1986.

Federal commodity programs support market prices through Congressionally mandated nonrecourse commodity loans or through direct Federal purchase of commodities. Additional direct farm support is provided through direct target price deficiency payments. Rigid supply controls and import barriers are other techniques to maintain prices without incurring high Federal costs.

IBA recommends the following changes be incorporated into commodity programs in the 1990 Farm Bill:

- Reduce wheat loan levels to below world market prices. This would provide farmers with safety net, not long term incentives to produce surpluses.
- Reduce the gap between target prices and loan rates as loan rates proceed with their scheduled decline. High target prices have increased land prices and production costs in periods of high surpluses.
- Target wheat subsidies away from high yields to improved quality. Federal programs have clearly focused on production, not quality and quality. particularly consistency has significantly deteriorated as there is no incentive for farmers to produce consistent quality wheat.
- Develop programs to make U.S. production of rapeseed and oats more attractive to farmers.

Acreage Reduction Program

Cropland is an extensive productive resource in the United States. Land costs do not decrease when acreage is idled under commodity price support programs. Idled land raises per unit costs of production and diminishes the comparative advantage of the United States in world markets.

IBA supported former Secretary of Agriculture Dick Lyng's lowering of the Acreage Reduction limit to 10 percent of total crop plantings in 1988. The set-a-side reduction to 10% from a 27.5% ARP in 1987 was a step towards increasing wheat production. However, considering the full impact of last year's drought the reduction may have been too modest. IBA recommends that Acreage Reduction Programs be kept at 1% until such time as wheat stock carryover projections exceed 900 million bushels. Future acreage reduction programs, if implemented, should allow for quick return to production as dictated by market forces (shortages).

Paid Land Diversion

IBA agrees with the Secretary and endorses his recommendation to suspend the Paid Land Diversion Program at least until such time as wheat stock carryovers exceed 900 million bushels.

Marketing Loans and Deficiency Payments

IBA supports the Secretary's position not to implement a market loan system for the 1990 wheat crop. In addition, IBA recommends lowering deficiency payments to reflect the world market price for wheat. This action would additionally resolve IBA's export licensing problems with the Canadian Wheat Board as well as achieve the Secretary's stated goal of making U.S. wheat more competitive in domestic and international markets. IBA would further limit deficiency payments to $50,000.00 per farm, per year.

Mandatory Production Controls

IBA recommends that any form of Mandatory Production Controls for wheat in the United States be rejected. IBA understands that the Secretary has not endorsed this approach but feels that some Members of Congress may attempt to legislate mandatory production controls.

Wheat and Sugar Stock Carryover

Wheat and sugar carryover stocks allow the United States to meet both domestic and export demand in spite of production shortfalls, or to expand exports when other nations suffer production problems. Renewed awareness, because of the drought, of the supply and price stabilizing effects of nonrecourse loan stocks and Government held inventories will affect the farm bill debate.

IBA members feel the current estimated carryover of 443 million bushels is insufficient to meet the needs of the United States in the event of repeat of last years drought. IBA recommends that the Secretary of Agriculture take necessary actions to ensure that wheat stocks are increased to a minimum level of 900 million bushels on June 1 of each year. Such actions should include a suspension of wheat sales under EEP when carryover stocks fall below 75% of 900 million bushels and elimination of the set-a-side acreage for wheat.

Sugar prices in 1989 have consistently lead the market stabilization rate (MSR - $.218) by two cents. The relationship between the carryover stocks falling below 18% of annual consumption and U.S. sugar prices has been extensively documented. IBA requests that USDA increase next years sugar quota to allow for a rebuilding of raw sugar carryover stocks to 18% of annual consumption. Presently carryover stocks of sugar are at approximately 15% of annual consumption.

Sugar Quotas

IBA recognizes that import quotas on sugar have kept sugar prices in 1989 two cents or more above the MSR. We recommend to that Congress in its new farm bill mandate the Secretary of Agriculture to increase import quotas automatically when prices exceed the MSR. In addition the Congress should act to reduce sugar MSR and nonrecourse loan rates by a minimum of one cent each year over the period of this farm bill.

At the very least the U.S. should not be subsidizing American sugar growers at an expense annually to consumers of $1.5 billion. This is happening while world sugar prices are eight cents below U.S. prices. These costs are compounded by the fact that other sweeteners such as high fructose corn syrup are set at a percentage of the artificially high subsidy rate for sugar also at the expense of American consumers of an additional $ 1.4 billion.

EEP Quality Wheat Sales

Under the current circumstances of tight supplies of good quality wheat we should not refuse to sell wheat overseas, but there should be no need to use EEP subsidies when that product is in such short supply worldwide. Further, the EEP program is a drain on the Federal Government at a time of huge budget deficits.

Wheat Certificate Program

Past farm bills have considered making Marketing Certificates necessary to sell grain at prices mandated by Congress. The 1985 House of Representatives version of the Farm Bill included at one time the "Bedell" amendment which would have required all domestic grains sold (by farmers participating in subsidy programs) to have a certificate. Wheat with certificates exported at world prices would entitle the seller to obtain payments-in-kind or cash from the Federal government representing the difference between domestic and world prices. The Bedell amendment would have spawned a new bureaucracy to administer the program and track every bushel of wheat produced by every farm in the nation.

Intensive lobbying by consumers of wheat and feed grains defeated the proposal. Another major effort may be necessary if attempts to revive similar proposals surface in this round of Farm Bill deliberations. Current law allows the Secretary of Agriculture discretion to suspend Wheat Certificate Programs until 1990. IBA will lobby actively for continued suspension and against any resurrection of wheat certificates which are tantamount to a "bread tax". Outright repeal of the Wheat Certificate program authority would undermine authorities established the Agriculture Adjustment Act of 1938 and the Agricultural Act of 1949 and is not endorsed by IBA.

Dairy Programs

Some form of dairy price supports are necessary to maintain adequate supplies of milk and dairy products essential to the baking industry. Support prices should prevent unreasonably low prices but not constrain prices when demand exceeds supply and prices rise. IBA will support continued linkages established in the 1985 farm bill between support prices and the level of surplus diary products purchased by the Commodity Credit Corporation. IBA will seek language in this farm bill to eliminate short term solutions such as whole herd buy-outs and paid diversion and promote long term solutions.

In the second week of October 1989 commercial U.S. prices for nonfat dry milk escalated to $1.76 per pound while the world price is approximately $.82 per pound. Import restrictions are the principle factor in the higher domestic price. IBA requests the Secretary take immediate action to increase the U.S. import quota for nonfat dry milk to alleviate shortages and high prices in the United States.

DENNIS LINDBERG
1096 MIDDLEHOFF LANE
OROVILLE, CALIFORNIA 95965
—
Phone 533-8936

1-17-90 JAN 24 1990

Honorable Kika de la Garza
Longworth Office Bldg. Room 1401
Washington, D.C. 20515

Dear Congressman de la Garza;

Please accept my views regarding the 1990 Farm Bill which is now being formulated.

I continue to hear comments that we need to get farmers off of subsidies.

I could not agree more except that at the same time trade barriers that exist around the world need to be removed and the American Farmer must receive a profitable price here in the U.S. for what he grows.

Untill those are achieved we need a Farm Program very similar to that which is in effect now.

I encourage your support and continued effort toward that goal.

Sincerely,

Dennis Lindberg

NATIONAL
GOVERNORS'
ASSOCIATION

Terry E. Branstad
Governor of Iowa
Chairman

Booth Gardner
Governor of Washington
Vice Chairman

Raymond C. Scheppach
Executive Director

Hall of the States
444 North Capitol Street
Washington, D.C. 20001-1572
Telephone (202) 624-5300

August 24, 1989

The Honorable E. (Kika) de la Garza
Chairman
Committee on Agriculture
U.S. House of Representatives
1401 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Attached is a copy of the National Governors' Association's policy statement on the 1990 Farm Bill. This policy statement was adopted by the Governors at the recent NGA meeting. We hope it will be helpful to you as you deliberate the 1990 Farm Bill.

The policy iterates the position taken by many observers of the farm bill process, that the framework of the Food Security Act of 1985 is a relevant starting point for designing the 1990 bill. The policy supports a market orientation tempered by pressures of maintaining adequate income for producers and protecting natural resources.

The Governors recognize that American farmers are the most productive in the world. They are acutely aware that the fruits of American agriculture are the mainstay of the diets of many people throughout the world. The obligation to feed the world must be taken seriously and as we plan for the future, we must strike an appropriate balance between increasing world demand for food and responsible stewardship for our natural resources.

The Governors believe that producers should have more flexibility in making planting decisions. While we believe that farmers should have more latitude in choosing what to produce, we are cognizant of the supply management and fiscal issues inherent in the use of a base acreage approach for farm programs. Our policy calls for flexibility to plant up to 10% of non-set-aside base acres in program crops and up to 20% of non-set-aside base in certain non-program crops without losing federal benefits or base acreage. The Governors believe this recommendation will provide needed increased flexibility without undermining other important policy objectives.

A second area of particular concern to the Governors is the relationship between agriculture and the environment, particularly water quality. The policy calls for the creation of an Environmental Conservation

Acreage Reserve Program to protect endangered species and environmentally sensitive land. It encourages planting of long-term conservation cover crops, such as trees, and calls for development of incentives to restore wetlands, riparian habitats, and other areas that significantly influence water quality to their native vegetation.

The policy recommends further research and incentives to encourage reduced use of energy, water, and agricultural chemicals as a means of protecting farm income and our natural resource base. It also urges Congress to preserve the role of states in implementing and developing conservation management practices.

The policy calls for additional emphasis on rural development as a means to enhance rural economies. The focus for these rural development programs should be job creation. The reference to rural development in this policy serves to complement the more comprehensive rural development policy adopted by the Governors last year.

Finally, the policy recognizes fiscal constraints by suggesting that the 1990 Farm Bill should not cost more than the 1985 Farm Bill. The policy further suggests that target prices should reflect real farm inflation costs.

We hope that you will embrace, as part of the 1990 Act, the positions adopted by the Governors. We stand ready to work with you to develop the legislation to guide agriculture through the first half of the 1990s.

Sincerely,

Governor George S. Mickelson
Chairman
Committee on Agriculture
and Rural Development

Cecil D. Andrus

Governor Cecil D. Andrus
Vice Chairman
Committee on Agriculture
and Rural Development

Attachment

G-11. 1990 FARM BILL

11.1 Preface

The Food Security Act of 1985, with minor adjustments, provides an appropriate framework for agricultural legislation to lead this country through the first half of the 1990s. The Food Security Act has had a significant effect on both the domestic farm economy and on the world market. Programs provided for in that act have successfully retarded further soil erosion and degradation, enhanced environmental quality, and provided for the conservation of wetlands and rangelands. In light of growing concern about global climate change, nonpoint source pollution, and other environmental issues, these conservation programs are taking on increasing significance. The Food Security Act of 1985 provided the American consumer with an abundant and wholesome supply of food. The Governors are supportive of the principles embodied in that act; however, they do advocate certain revisions to the Food Security Act of 1985 when developing the 1990 farm bill.

11.2 Recommendations

The National Governors' Association calls upon the Congress to adopt a 1990 farm bill that includes the following:

11.2.1 **Total Farm Base.** The Governors recommend substituting a Total Farm Base (TFB) program for the wheat, feed grains, rice, and cotton programs to allow farmers greater flexibility.

- The program would involve the aggregate number of acres of all program crops produced on a given farm. Farmers would not lose base acres or federal benefits if they planted up to 20 percent of the non-set-aside base in the following non-ASCS program crops: canola, rapeseed, sunflower, safflower, flaxseed, kenaf, crambe, guayule, milkweed, meadowfoam, or soybeans, and/or up to 10 percent of the non-set-aside base acres in program crops.

This change would allow farmers to base production decisions more on net farm income considerations, consumers' needs, and environmental concerns and less on government demands.

11.2.2 **Conservation Programs.** The Governors recommend promoting and broadening the Conservation Reserve Program to:

- Establish an Environmental Conservation Acreage Reserve Program. This program would expand the existing Conservation Reserve Program to permit areas inhabited by endangered species or environmentally sensitive areas to be eligible for the benefits offered by the conservation reserve.

- Include wetlands, riparian areas, and lands that influence water quality in the eligible acreage for the Conservation Reserve Program and the Environmental Conservation Acreage Reserve Program.
- Provide additional incentives, as needed, to establish long-term conservation practices such as the planting of trees for windbreaks, wildlife, and other conservation purposes and to encourage the retention of existing trees and windbreaks.
- Provide additional incentives for restoration of wetlands and riparian habitats, and for establishment of native vegetation on other lands vital to water quality.
- Provide cost-share for pilot projects in the establishment of artificial wetlands for the control and cleansing of runoff waters from feedlots, livestock operations, and packing plants.
- Conduct additional research and provide incentives to encourage the reduced use of energy, water, and agricultural chemicals in order to improve net farm income and protect the environment.
- Recognize and preserve the role of states in identifying and implementing conservation management programs, including targeting priority protection areas and in developing sound agricultural-chemical management programs.

11.2.3 **Enhancing Competitiveness.** The Governors favor enhancing competitiveness through the Export Enhancement Program and through agricultural research and extension systems.

- Continue the availability and use of the Export Enhancement Program as an export trade policy tool.
- Provide support for research on agricultural production systems that may reduce the use of energy, water, and agricultural chemicals. Emphasis should be placed on more efficient production systems.
- Provide funding to agricultural research and extension systems to meet the constant economic and technical changes in agriculture and rural America.

- Place a higher priority on research programs regarding additional uses of agricultural products and on identifying potential new uses.

11.2.4 **Rural Development.** The Governors recommend placing additional emphasis on rural development.

- Rural assistance programs must be directed toward the enhancement and creation of jobs in rural areas. This can be accomplished through education programs, infrastructure investment programs, and economic development projects.

11.2.5 **Funding.** The recommendations as presented should be implemented at a cost of no more than the total cost of the Food Security Act of 1985. Target prices should be adjusted for real farm inflation costs.

The Governors should work actively with the President and Congress to develop an effective and workable 1990 farm bill.

FEB 20 1990

February 10, 1990
HCR 1, Box 40
Battleview. ND 58773

Hon. E. de la Garza
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative E. de la Garza;

I am writing to thank you for your concern for the American Farmer and for your help as a Chm. of the Committee of Agriculture.

My main concern for writing is to express a need for a new 1990 Farm Bill. It appears to me that at a time when we are increasingly concerned about the minimum wage for our work force, we forget about the earning capabilities of the American Farmer. The past couple years have been very difficult for me. When you reduce Deficiency Payments and the Yield is greatly reduced by drought, it has put me in a very serious financial condition.

When I hear that the Farmer is inefficient, I think it tells me of the ignorance of such a statement. What industry today is or can operate at 50% of parity. Why are we expected to operate at less than a cost of production when industry operates on a profit margin.

I would hope that in the 1990 Farm bill we could get:

1. Payments targeted to Family Farms.
2. Commodity prices at 110% or more of Cost of Production.
3. Commodity prices be protected on a given number of bushels per farm through commodity loans.
4. CCC become the marketing agency for domestically used commodities and these commodities be sold to processors at the parity price for those commodities.

There are many farmers in North Dakota who are at retirement age or over. We need a program which will guarantee a young farmer a decent living, so he will come back to the farm. The idea of not knowing what price you will receive for your product, makes if very difficult to arrange financing for my operation from year to year.

We need a major change in the FmHA program to help beginning farmers become established and graduate out of the system, not to be pushed out after 7 years as recently proposed by FmHA.

Your assistance in these matters will be greatly appreciated. THANKS for your time.

Sincerely,

Marlow Nelson

Marlow G. Nelson

FEB 15 1990

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AMERICAN SEED TRADE ASSOCIATION, INC.

asta
first — the seed
OFFICE OF THE PRESIDENT
JEROME J. PETERSON
Peterson Seed Company
P.O. Box 346
Savage, MN 55378
Ph (612) 445-2606
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TESTIMONY OF

JEROME J. PETERSON

PRESIDENT

AMERICAN SEED TRADE ASSOCIATION

BEFORE U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON AGRICULTURE

FEBRUARY 20, 1990

REVIEW OF FISCAL YEAR 1991

DEPARTMENT OF AGRICULTURE BUDGET AND ISSUES

RELATED TO FORMULATION OF THE 1990 FARM BILL

My name is Jerome J. Peterson and I am President of Peterson Seed Company, a small, independent seed company, located in Savage, Minnesota. I am also President of the American Seed Trade Association, which is an organization of over 500 member companies that produce and market seed for planting. In addition, there are over 200 organizations that belong to our association on an associate or affiliate basis.

In my testimony today, I am recommending amendments to the U.S. Plant Variety Protection Act. I believe the reasons are apparent and compelling for changes to the Act. I wish to thank you for providing this opportunity to hear the views of our Association and respectfully request your studied consideration of our proposals.

The Plant Variety Protection Act Should be Amended to Preclude Further Abuse of the "Save Seed Exemption"

When the Plant Variety Protection Act ("PVPA") was enacted by Congress in 1970, it was the intention of the drafters to give plant breeders an incentive to conduct the necessary research to develop new agriculturally important plant varieties. This intention was based on the belief that such research can lead to the introduction of important new varieties to provide farmers and gardeners with additional choices and greater productivity, reduce producer and consumer costs, help stabilize regional agricultural economies, help preserve the environment, and enhance U.S. competitiveness in global agricultural markets. Before the PVPA, the economic incentives to invest in the long-term research necessary to create new sexually reproducible varieties of plants was necessarily limited, since new varieties, once on the market, could readily be adopted by the competition. Initially after enactment of the PVPA, evidence clearly indicates that the PVPA succeeded in spurring new plant variety research and this research has led to new, beneficial varieties. Unfortunately, overbroad interpretations of the so-called "save seed exemption" have significantly undermined these gains by diluting the perception of effective protection which the PVPA was thought to provide. If Congress does not modify the exemption, and thereby check the many related protection abuses, the long-term benefits of the PVPA to agriculture and to society could be lost--in effect, the exemption may swallow the Act.

I. Background.

The PVPA is one of the many U.S. intellectual property laws that are intended to permit scientists, inventors, innovators, artists and others to realize the fruits of their labors by providing them with enforceable property rights in their works and inventions. The U.S. had earlier enacted a statutory form of intellectual property protection for plants, the Plant Patent Act of 1930, but that system had been limited to plants which were propagated asexually, such as ornamentals and fruits, but did not extend protection to sexually reproduced crops such as soybeans, wheat and many other kinds of vegetable and field crops. Following the formation of the International Union for the Protection of New Varieties of Plants (UPOV) in 1961, and England's successful efforts to spur its plant breeding industry through the Plant Varieties and Seeds Act 1964, the

U.S. Congress in 1970 enacted the PVPA to stimulate private plant breeding of field crop species in the United States.

Under the PVPA, a plant breeder who develops a "novel" variety of a sexually reproduced plant can obtain a "certificate of plant variety protection" from an office within the U.S. Department of Agriculture. The certificate will be issued only if the variety is distinct from existing varieties[1], has a uniform character in the sense that "any variations are describable, predictable, and commercially acceptable," and is stable in the sense that it will remain essentially unchanged when sexually reproduced. The certificate generally grants the developer the exclusive right to sell, reproduce, and import or export the variety for a period of 18 years. See 7 U.S.C. §§ 2401, 2402, and 2483.

Congress chose to exempt certain activities from the protection afforded to a certificate holder under the PVPA. One of the most important of these is the so-called "save seed exemption," under which growers have a right to save, use, and sell to other growers seed of a protected variety. The practice of saving grain for use as seed for a subsequent crop has long been a tradition among producers. However, Congress also chose to permit growers to sell the seed they save from a crop to other growers. Apparently, there was concern that small, "over-the-fence" bartering of seed between neighboring growers would otherwise be precluded. Unfortunately, the exemption as enacted allows any person "whose primary farming occupation is the growing of crops for sale" to sell the seed to others so engaged. This unfortunately overbroad wording can be and has been applied to sales far more damaging to seed developers than simple over-the-fence sales among neighbors.

The save seed exemption proved to be the section of the Act which was first the subject of litigation. In *Delta and Pine Land Co. v. Peoples Gin Co.*, 694 F.2d 1012, 1016 (5th Cir. 1983), a cooperative sought to take advantage of the exemption to broker sales among the farmers members of the cooperative, and the Court in that case noted that:

> In purpose and operation, the farmer exemption appears to be at odds with the primary purpose of the Act. While the main body of the Act assures developers of novel varieties the exclusive right to sell and reproduce that variety, the crop exemption dilutes that exclusivity by allowing individual farmers to sell the protected variety without liability. The broader the

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[1] For example, a variety of tomatoes that has a significantly greater resistance to a particular tomato parasite would be distinct from other tomatoes without such a beneficial characteristic.

construction given the exemption, the smaller the incentive for breeders to invest the substantial time and effort necessary to develop new strains. The less time and effort that is invested, the smaller the chance of discovering superior agricultural products. If less time and effort is invested, long-term benefits to the farmer in the form of superior crops and higher yield will be lost. Although it may appear that the broadest reading of the exemption would benefit farmers today, it could be detrimental to their interests tomorrow.

II. The PVPA's Continued Success is Vital to U.S. Agricultural Interests.

A. Plant Breeding Research and Development Should be Encouraged in the United States.

When the PVPA was enacted, Congress as a whole, and the House Agriculture Committee in particular, recognized the many benefits to be derived by increasing private plant breeding research in the United States. See H.R. Rep. No. 1605, 91st Cong., 2d Sess. (1970). Fundamentally, the new varieties arising from the added research effort give both commercial growers and home gardeners a greater range of choices and enhance agricultural efficiency. For any new variety to be economically successful in the marketplace, it must always offer some significant improvement over the variety upon which the grower or gardener previously relied. As a result, the new variety must yield either a greater amount or a better quality of crops. Of course, greater crop yields reduce per unit costs for growers, a portion of which is normally passed on to consumers. Hence, consumers also benefit--either from lower food prices, higher quality produce, or both.

New varieties can also aid the grower and the nation in other ways. For example, breeders often attempt to introduce characteristics to plants that make them more resistant to harsh climatic elements that can often wipe out not only one grower's crop but a large percentage of commercial crops within a certain region of the country. When such crop disasters occur, not only growers but often whole regional economies suffer. In addition, federal funds are frequently necessary to supply adequate relief to the affected regions. Although new plant varieties will probably never entirely overcome the vagaries of weather patterns, they can substantially mitigate the impact.

New varieties can also help preserve the environment. As new varieties are developed with greater resistance to biological infestations, growers will become less dependent on those chemical pesticides that endanger the environment. Such variety development will become increasingly critical to the success of U.S. agriculture as more and more growers voluntarily seek to decrease their use of agricultural chemical products or are otherwise required to do so by new food safety laws and clean water legislation. Without such research, it may become uneconomical to produce certain products in the U.S.

Finally, with the national trade deficit continuing to soar, the international agriculture markets have become increasingly important not only to the American grower but to the nation as a whole. The nation cannot afford to ignore key components of the nation's international competitiveness by creating a situation where U.S. agricultural operations are forced to move to Mexico and other overseas locations in order to stay competitive. During the current biotechnology explosion, the need for better varieties of plants suited to American soils and climatic conditions has never been a more important part of the U.S. agricultural system's ability to compete globally.

B. A Strong PVPA is Necessary to Stimulate Plant Variety Research and Spawn Many Beneficial New Varieties.

1. Without the PVPA, Plant Breeders have Little, If Any, Incentive to Develop New Varieties.

The PVPA was enacted primarily to provide an appropriate incentive to plant breeders of open pollinated or true-to-seed varieties to develop new varieties and then sell the varieties to commercial growers, gardeners and other producers. Congress recognized that without adequate intellectual property protection, breeders encounter an inherent disincentive that discourages the large investments of time and money necessary for the development of new, reproducible plant varieties. Unlike varieties sold as hybrid seed, seed of the plant varieties eligible for protection under the PVPA must be able to produce progeny that maintain the essential characteristics of the variety. Thus, absent legal protection, any person can simply obtain seed of the new variety and reproduce that seed exponentially.

For example, some seeds will produce plants containing thirty or more seeds. Each of those thirty seeds could then produce another thirty seeds, which could produce another thirty seeds and so forth. By the fourth generation, the purchaser of one seed could have as many as 27,000 seeds available for sale. Therefore, a non-developing seed dealer could essentially ride for free on the backs of seed developers, by reproducing and selling enormous amounts of seed with a very small initial purchase from the original developer.

This problem is compounded by the intensive research required to develop new varieties. Publicly available PVPA records demonstrate that an average research period of 10.7 years is required from the time a breeder initially crosses the parents used to develop a variety until a PVPA application is filed. As the House Agriculture Committee reported in 1980, "[i]n some cases, thousands of crosses must be made, documented and tested. The breeder may often spend years creating a breeding program to develop a new variety, with no guarantee of success." H.R. Rep. No. 574, 96th Cong., 2d Sess. 4 (1980). Why would any plant breeder risk devoting so much time and resources to development of a new variety when other companies could appropriate the fruits of the research? Congress's response to this problem was enactment of the PVPA.

2. Through the Early 1980s, the PVPA Succeeded in Stimulating Additional Plant Variety Research.

The ultimate yardstick for any public policy is its actual effectiveness in the marketplace. Until recent years, the PVPA proved to be quite effective in promoting additional plant variety research.

In 1980, the House Agriculture Committee praised the PVPA's effects on research: "An analysis of the effects of the [PVPA]...indicates that the Act has resulted in increased research by the private sector....A U.S. Department of Agriculture poll indicates that the amount of money invested has doubled and even tripled in some cases since passage of the act." H.R. Rep. No. 574, 96th Cong., 2d Sess. 4-5 (1980).

A study conducted in 1983 at North Carolina State University echoed the Agriculture Committee's findings:

> A survey of plant breeding firms revealed a dramatic increase in plant breeding efforts between the decade of the 1960s and 1970s....[T]he number of breeding programs in soybeans and cereals grew from only a half dozen in the early 1960s to about 30 in the late 1970s. Private research expenditures for breeding these...crops grew from essentially none in 1960 to about $8.5 million by 1979. These data, plus comments offered by responding firms, leave little doubt that the PVPA was effective in stimulating private investment in the breeding of varieties of soybeans, cereals and vegetables.

R. Perrin, K. Kunnings, & L. Ihnen, *Some Effects of the U.S. Plant Variety Protection Act of 1970*, Economics Research Report No. 46, Dept. of Economics and Business, North Carolina State University at 38 (August 1983).

Current research continues to evidence the incentive value of the PVPA system as important in inducing research in new plant varieties. See A. Tallard, ed., *A Workshop Report: An Evaluation of the Issues, Challenges, and Opportunities Related to Plant Patenting*, 10-11 (January 31-February 3, 1989).

3. The Additional Investment in Plant Research Spurred by the PVPA Has Led to Many New Beneficial Plant Varieties.

As expected, the greater commitment of private resources to plant breeding research accounted for an equally impressive increase in the number of new plant varieties introduced in the marketplace. In 1980, the House Agriculture Committee reported that:

> since the passage of the act in 1970, the number of new varieties has increased from 94 to 227 (141 percent) for soybeans, from 139 to 231 (66 percent) for wheat, and from 64 to 96 (50 percent) for cotton ....[T]hree times more wheat, three times more soybeans and six times more cotton varieties were developed in the ten-year period after implementation of the [PVPA than in the ten-year period prior to implementation]. The statistics clearly demonstrate that the act is achieving its goals.

H.R. Rep. No. 574, 96th Cong., 2d Sess. 4 (1980).

The 1983 study conducted by North Carolina State University not only indicated that the number of varieties had increased, but also provided some evidence that a positive trend indicating improved crop yields had developed after the enactment of the PVPA. See R. Perrin, supra, at 35-36.

III. Overbroad Interpretations of the Save Seed Exemption and Related Protection Abuses Are Beginning to Undermine the Ability of the PVPA to Encourage New Advances in Plant Variety Research.

A. The Lack of Clarity of the PVPA is Problematic.

Unfortunately, the statistics indicating the success of the PVPA through the early 1980s relate only half of the PVPA story. Substantial anecdotal and other evidence indicates that the save seed exemption significantly hinders the ability of the companies which conduct productive plant research to control commerce in their supposedly protected varieties, and this trend and perception threatens the usefulness of the previously successful PVPA.

Although the save seed exemption was contained in the Act when it was first passed in 1970, it was not immediately perceived as a serious impediment to the Act until the early to mid 1980s--apparently because few, if any, breeders or anyone else fully comprehended the potential arguments that could be made regarding the breadth of the exemption. A company's decision to begin a major research project is often dependent not on the protection actually afforded a new variety but on the company's perceptions concerning the protection available. Thus, when breeders believed the save seed exemption was only a minor exemption, they were willing to begin the expensive research projects that are described in the studies and reports of the early 1980s.

As protected plant varieties have become increasingly important in the agricultural marketplace, companies interested in marketing the new varieties have increasingly manipulated the inherent vagueness in the save seed exemption to elude the PVPA's intended prohibitions. The heart of the problem lies in the precise wording by which the exemption describes the persons who are exempted under the statute. There is no clear definition of **who** is entitled to be covered by the exemption. The exemption applies to any sale from any person "whose primary farming occupation is the growing of crops for sale for other than reproductive purposes" to anyone similarly engaged. Two fundamental defects in this terminology each create separate problems of interpretation.

First, the definition is inherently vague in two respects: (1) does the term "primary" mean simply more than half, or does it connote a larger percentage; and (2) what factor determines whether the crops are grown for reproductive or non-reproductive purposes--the acreage or volume of crops planted or harvested for each purpose, or the gross or net dollar value realized for each purpose? In at lease one case, both of these ambiguities were resolved against breeders.

In Asgrow Seed Co. v. Kunkle Seed Co. No. 86-3138-A (W.D. La. 1989), over 20,000 bushels (1,200,000 pounds) of a protected variety of Asgrow's seed were sold without Asgrow's permission by a seed company owned by two brothers who also operated a farm. During such period, the seed company sold a total of 80,000 bushels of seeds. Asgrow sought a preliminary injunction to enjoin the seed company from selling Asgrow's protected variety. A Federal judge held that the brothers' "primary farming occupation" was not the growing of crops for seed because no more than 50% of the total soybeans grown were sold as seed.

This and similar expansive interpretations of the save seed exemption portend disaster for plant breeders and the PVPA. Non-developer seed dealers can use the exemption as a subterfuge to avoid the PVPA's prohibitions. These seed dealers can afford to exploit the exemption by simply devoting half of their crop to non-reproductive use. Because such a dealer has not incurred any research costs, he can cut his prices and prevail in competition with the original developer. In the end, such exploitation of the save seed exemption robs the developer of his ability to recover his research investment.

A second fundamental defect in the save seed exemption's terminology could further undermine the purposes of the PVPA. The exemption does not require that a person's primary occupation be farming for the purpose of selling crops; it requires only that the portion of a person's occupation involving farming be devoted primarily to growing crops for non-reproductive purposes. This means that any company, including Fortune 500 companies with no prior farming operations, could enter the seed dealing business and instantly become eligible for the save seed exemption. The corporation need only ensure that half of its crop is sold for non-reproductive purposes.

These two fundamental exemption defects have deteriorated the PVPA's protections. In fact, the availability of the broad exemption may be encouraging additional abuses by seed dealers who do not fit within the scope of the exemption, no matter how expansively it is read. The exemption was meant to cover growers saving seed from grain produced from a crop and selling it to a neighbor. It was never meant to exempt a grower from intentionally producing an entire crop of seed of a protected variety for reproductive purposes. However, existence of a broad exemption enables many PVPA violators to defend their whether they fit the exemption or not. Consequently, the PVPA certificate holders must devote greater resources to asserting their legal rights. This reduces the resources available to the developer for detection and prosecution of other infringers and also may decrease the availability of funds for further development of new plant varieties.

B. Black Market "Brown Bag" Sales Have Led to the Discontinuance of Research Programs.

Another fundamental problem with the save seed exemption is the allowance of the so-called over-the-fence sales. While originally intended to provide for limited sales by neighbors, it has instead fostered the growth of a cottage industry in black market seed through a practice known as "brown bagging," where seed is sold unlabeled but is known to be of the protected variety. This has become a particularly abusive problem in the wheat, soybean, and cotton industries, the most widely grown true-to-seed crops in the U.S., where the use and sale of saved seed has become common practice. In a USDA survey of 1986 plantings, it was reported that only 54 percent of the soybean seed and 60 percent of the wheat seed planted was purchased from the seed company. *New Developments in Biotechnology: 5 Patenting Life,* Office of Technology Assessment, U.S. Congress, p. 79 (1989).

Both the perceived erosion of the PVPA's protection and the high cost of legally obtaining that protection have taken their toll on plant variety breeders. Although breeders previously envisioned the PVPA as an opportunity to profit from their innovative work, they are now forced to confront an exemption that is swallowing an ever-growing portion of the return on their investment. Not surprisingly, many breeders are deciding the risk of investing in new development outweighs any foreseeable profits. For example, both Pioneer Hi-Bred International, Inc., one of the leaders in plant breeding research (annually spending in excess of $50 million), and Cargill have discontinued their red wheat breeding programs in part because of the protection abuses prevalent in the wheat sector. Other companies are known to be either scaling back or reconsidering their programs in some crop species because of these problems.

To illustrate the basis for Pioneer's decision to discontinue its research program, official Kansas agricultural statistics published in February 1989 indicated that 9.5 percent of the acres planted to hard red winter wheat in Kansas were planted with Pioneer variety 2157. Pioneer's figures for the same period, however, show a total of 100,600 units of wheat seed sold in the area that includes all of Kansas, Nebraska, Colorado and part of Wyoming. Even if all the wheat seed sold by Pioneer had been planted in Kansas, however, it would have accounted for only eight-tenths of one percent of the acres in Kansas planted with the Pioneer Variety.

Pioneer spent approximately $1 million in research costs alone to develop this significant and successful new wheat variety. However, the variety's useful life of about six years, combined with its slim market share potential due to the abuses described above, have made such breeding efforts financially unprofitable and have led to their discontinuance.

In summary, "brown bag sales" and other actions of infringers have seriously eroded the sales, profits and the availability of research dollars to enable a company to continue to produce new varieties. The inability to produce new varieties will limit the ability of growers to compete in international markets, it will eventually lead to an increase in the cost of food to the consumer and it will limit the industry's ability to develop new varieties which can make a contribution to environmental problems.

IV. The Save Seed Exemption Should be Modified to Prevent its Abuse.

In order to strengthen the PVPA and eliminate current abuses, Congress should amend the save seed exemption to prohibit unauthorized sales of saved seed. Such an amendment would not preclude growers from saving a portion of their crop to be used for seed for planting on their own farm in future years. Consequently, the amendment would have no impact on the use of saved seed by the saving grower, and only a very limited impact on the grower who occasionally sells some seed to a neighbor. This small impact would be more than made up by the many benefits that flow to growers from new varieties generated by effective legal protection for plant variety breeders. A complete prohibition on the right to sell saved seed, as opposed to a simple limitation, will prevent new efforts by abusers to exploit any exemption to the detriment of breeders, U.S. agriculture, and the nation as a whole.

The American Seed Trade Association is not alone in its condemnation of the current save seed exemption. In early 1989, a workshop relating to intellectual property rights for plants was attended by 78 individuals representing a broad spectrum of disciplinary and professional interests, including private breeders; professors (and/or Deans) of law, agronomy, genetics, biology, and economics; patent attorneys and examiners; various government agency representatives (including the Commissioner of the Plant Variety Protection Office); and numerous other distinguished individuals. According to their report, "[T]he workshop was in a consensus that the 'crop exemption'...should be modified to allow the sale for seed of a PVPA-protected variety by only the PVPA certificate holder or its licensees." A. Tallard, ed., supra, at 16

"Saving and planting your own seed may save you some money in the short term, but it could end up costing you the benefits of these research programs in the future," states Merle Anderson, a certified seed grower who farms near Climax, Minnesota.

Jack Felgenhauer of Fairfield, Washington, a former president of the National Association of Wheat Growers, agrees. "We must provide private industry with the incentive to continue their wheat varietal development programs, in conjunction with the basic research being conducted by USDA and University extension plant breeders around the country. If it's really that good, if it's worth saving for seed, then it must be better," Felgenhauer notes. "If it's better, then growers will see greater returns per acre from it. We all should be willing to pay more money to use it."

Anderson and Felgenhauer were members of the Plant Variety Protection Advisory Board, which advises the U.S. Secretary of Agriculture. A study group of that board has recommended that the PVPA be clarified and modified to end the abuses of PVPA by "brown baggers" and others.

Now is time for the save seed exemption to be modified. The public policy objectives are being thwarted, in part, by the overbreadth of this exemption. The exemption can be modified, to permit only use of saved seed, without hampering the normal operations of honest growers, while restoring to the Act the necessary level of incentives to breeders.

A copy of the proposed amendments to the Plant Variety Protection Act is enclosed. Again, I wish to thank you for providing an opportunity for the American Seed Trade Association to present its views to the Committee.

(Attachment follows:)

101st CONGRESS
2nd SESSION

H.R.

IN THE HOUSE OF REPRESENTATIVES

A BILL

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "The Plant Variety Protection Act Amendments of 1990".

Sec. 2. Section 113 of the Plant Variety Protection Act (7 U.S.C. 2543) is amended to read as follows:

"Sec. 113. Except to the extent that such action may constitute an infringement under subsections (3) and (4) of section 111, it shall not infringe any right hereunder for a person to save seed produced by him from seed obtained, or descended from seed produced by such person from seed obtained, by authority of the owner of the variety for seeding purposes and use such saved seed in the production of a crop for use on the farm where grown. A bona fide sale for other than reproductive purposes, made in channels usual for such other purposes, of seed produced on a farm either from seed obtained by authority of the owner for seeding purposes or from seed produced by descent on such farm seed obtained by authority of the owner for seeding purposes shall not constitute an infringement. A purchaser who diverts seed from such channels to seeding purposes shall be deemed to have notice under section 127 that his actions constitute an infringement.

Sec. 3. Section 111(6) of the Plant Variety Protection Act (7 U.S.C. 2541) is amended to read as follows:

"(6) Clean, condition or treat seed of the novel variety for sale, or dispense the novel variety for reproductive purposes to a person other than the person from whom such seed was received; or"

Sec. 4. Section 111 of the Plant Variety Protection Act (7 U.S.C. 2541) is amended by adding the following new subsection:

"(9) Purchase seed of the novel variety from any person for reproductive purposes without the authority of the owner of the variety."

UNITED STATES CATHOLIC CONFERENCE
Department of Social Development and World Peace
Office of Domestic Social Development
3211 4th Street N.E. Washington, DC 20017-1194 (202)541-3185 FAX (202)541-3322 TELEX 7400424

November 30, 1989

Honorable Kika de la Garza
Chairman
House Agriculture Committee
House of Representatives
1302 Longworth House Office Bldg.
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to be able to provide you with a copy of a statement on food and agricultural policy adopted by the Catholic Bishops on November, 8, 1989. It is the result of a year's process of study, analysis and consultation.

The statement entitled, "Food Policy in a Hungry World: The Links That Bind Us Together. Pastoral Reflections on Food and Agricultural Policy," expresses our deep concern about the range of food and agricultural issues including hunger, support for family farmers, the environment, trade, the agricultural prospects of the developing countries, and the problems of farmworkers and minority farmers.

Because of the wide range of our concerns and the fact that the 1990 farm bill will encompass almost all of these concerns, I would like to request that the Conference put together a panel representing our concerns with general farm policy, hunger, and international issues and offer testimony to the Agriculture Committee. I believe that the combined testimony of the Conference, Catholic Relief Serices, and Catholic Charities USA would give a more comprehensive and detailed picture of our views than separate presentations.

Thank you for your consideration of my request.

Sincerely,

+John R. Roach

Archbishop John R. Roach
Chairman
Subcommittee on Food, Agriculture
and Rural Concerns

Food Policy in a Hungry World
The Links That Bind Us Together

Pastoral Reflections on Food and Agricultural Policy

United States Catholic Conference
November 8, 1989

In November of 1988, the bishops adopted a report by the Task Force on Food, Agriculture, and Rural Concerns which was established to assess the Church's response to a variety of emerging problems in the food and agricultural system and in rural communities. The task force recommended that the Conference set up a permanent subcommittee of the International and Domestic Policy Committees to provide ongoing guidance on these issues. *Food Policy in a Hungry World: The Links That Bind Us Together, Pastoral Reflections on Food and Agricultural Policy* was prepared by the subcommittee and reviewed by the International and Domestic Policy Committees. The statement was adopted unanimously by the full body of bishops at the general meeting of the United States Catholic Conference in November 1989 and is authorized for publication by the undersigned.

Monsignor Robert N. Lynch
General Secretary
NCCB/USCC

November 28, 1989

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Conclusion

The stark realities of poverty and hunger, the maldistribution of farm benefits, damage to the environment, and the threat of food trade wars challenge the Church and other groups to work together in solidarity for just and practical solutions to the many problems in the global food system. As Pope John Paul II said in Monterey, California during his 1987 pastoral visit to the United States:

> All agree that the situation of the farming community in the United States and in other parts of the world is highly complex, and that simple remedies are not at hand. The Church, on her part, while she can offer no specific technical solutions, does present a social teaching based on the primacy of the human person in every economic and social activity. At every level of the agricultural process, the dignity, rights, and well-being of people must be the central issue. No one person in this process—grower, worker, packer, shipper, retailer, or consumer—is greater than the other in the eyes of God.
>
> Giving voice therefore to the sufferings of many, I appeal to all involved to work together to find appropriate solutions to all farm questions. This can only be done in a community marked by a sincere and effective solidarity—and, where still necessary, reconciliation—among all parties to the agricultural productive process (*Homily at Laguna Seca*).

We reaffirm and accept our Holy Father's call to solidarity and urge all involved in our country and the broader international community to work together to ensure that a food system that should sustain life is not undermined by the actions or policies of any group or nation. Solidarity requires a new effort to feed the hungry at home and help the hungry abroad. Solidarity requires new policies that assist small farms, not threaten them. Solidarity requires special care and concern for the land we all share.

Therefore, we call upon our pastors and our people, key Catholic organizations—the National Catholic Rural Life Conference, Catholic Relief Services, the Campaign for Human Development, Catholic Charities USA, and the National Catholic Educational Association among others—and the broader ecumenical and public policy community to join with us in an effort to recommit ourselves in justice to making the elimination of hunger a central focus of our actions and programs. Hope remains alive in every crisis, the hope that a generous and determined people, with God's providential care, can help one another alter the conditions under which we live and make social justice and genuine solidarity the foundation of our life together.

Solidarity is required among both urban and rural people if these problems are to be resolved. These problems know no boundaries; they do not stop at the gates of the cities or the borders of nations. We are all bound one to the other. The response of the United States and of other nations to the challenges posed in the area of food and agriculture will enrich or diminish each of us, no matter where we live or what we do. With God's grace, may we find the will and the ways to remove the obstacles that prevent millions of our sisters and brothers from living in dignity, freed from the threat of hunger and with a share of the goods of the earth, which God has created for the benefit of all.

(The complete report is held in the committee files.)

August 29,1989

Representative Eligio de la Garza
1401 Longworth House Building
Washington, D.C. 20515

Dear Representative de la Garza:

I would like to make the following comment on the 1990 Farm Bill; and, I would appreciate your filing this letter in connection therewith:

The existing and present practice of the ASCS appears to be discriminatory in nature as the yields on large land owner farms (farms that are being farmed by more than one tenant), are attributable to the entire farm and not broken down by the certain individual farms by the various tenants that are farming acreage on such large land owner farms. The yield used to figure deficiency payments is established on the entire farm without considering an allocation to those portions of the farm farmed by each farmer.

In other words, the good industrious farmer is penalized when the yield is established for him on the same basis as the marginal farmer or one that does not put as much effort in farming his portion of the land leased out of the large land owner's acreage.

Thereby, the good, industrious, and efficient farmer is penalized in the allocation of such yield established on these farms; and, it appears to me this should be remedied by allocating yield that is earned by each tenant on such farm.

I feel that this method of establishing yield that is used in figuring deficiency payment should be changed to this procedure rather than the existing procedure.

Sincerely,

Andrew Rod

Andrew Rod
Rod Farm
Rt. 1 Box 68
El Campo, Texas 77437

SEP 05 1989

NORTH CAROLINA AGRIBUSINESS COUNCIL, INC.

211 Alleghany Building / 3701 National Drive / Raleigh, N.C. 27612-4864 / (919) 782-4063

February 7, 1990

The Honorable ~~Burt R. Pena~~ E de la Garza
House Agriculture Committee
U.S. House of Representatives
Room: 1301 LHOB
Washington, DC 20515

Dear Congressman ~~Pena~~ → de la Garza:

This letter conveys the N. C. Agribusiness Council, Inc.'s serious concerns relative to issues impacting the 1990 Farm Bill. We are interested in the specific commodity legislation, but a major concern is the way environmentalists are attempting to use the Farm Bill as a vehicle to create programs putting additional constraints on agribusiness.

It is astounding that crusading organizations go to Congressional hearings and get much attention armed only with opinion and inflammatory rhetoric with no science to back up their position. By the time the agribusiness community can respond with facts based on sound scientific data, opinions have already been made and their position compromised to appease environmental groups.

Hearings are being held across the country to get input into what changes need to be made in the 1990 Farm Bill. These hearings are focusing on the commodity programs which are what the Farm Bill should concentrate on. We believe the special interest groups are prepared with legislation that will lead to "prescription" farming with government dictating what is grown, which fields are used, and what kinds and amounts of fertilizers and chemicals may be used.

Farmers have been environmentalists longer than any other segment of our society. Prospects of having others attempting to put responsibility for the nation's environmental problems on the backs of farmers via the 1990 Farm Bill is totally unfair.

The Agribusiness Council represents a broad cross section of the industry in North Carolina. The total industry in 1987, accounted for 34.11% of North Carolina's gross product and 28.92% of its jobs. Agribusinesses in North Carolina, from producer to consumer, are responsible stewards of the environment and are making a positive contribution to the economy and the quality of life in this State.

Please take these concerns into account as the 1990 Farm Bill is written and resist the assault that is being made on the ability to produce food and fiber that feeds, clothes and houses all of us.

Very truly yours,

M. S. Williams

M. Sherrill Williams
President